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	E X H I B I T S		
	APPLICANT'S	For Identification	In Evidence
1	GCI/CITY		
2	#8.0,8.0P,		
3	#9.0,9.0P,7.0	1653	1663
4	GCI/CITY		
5	#7.2	1668	
6	GCI/CITY		
7	#4.0,4.0P		
8	5.0,10.0	1744	
9	GCI/CITY		
10	#4.0,4.0P		1747
11	GCI/CITY		
12	#5.0,10.0		1751
13	STAFF		
14	#4.0,18.0,18.0P,		
15	#29.0		1755
16	McCCLERREN		
17	#34-37	1785	
18	STAFF		
19	#8.0,22.0,22.0P		1788
20	AMERITECH		
21	#34-37		1796
22	AMERITECH		
23	#12.0,12.1,12.P		
24	#12.2E	1808	1810
25	SAO HUDZIK		
26	#38	1867	1886
27	#39	1878	
28	#40	1890	1894
29	#41	1891	1894
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1 JUDGE MORAN: Pursuant to the direction of the
2 Illinois Commerce Commission we call Docket
3 No. 98-0252, this is an application by Illinois
4 Bell Telephone Company for review of alternate
5 regulation, consolidated with 98-0335, this is a
6 petition by Illinois Bell Telephone Company to
7 rebalance Illinois Bell Telephone Company's carrier
8 access and network access line rates. And
9 consolidated with 00-0764, which is a verified
10 complaint to Citizens Utility Board and the People
11 of the State of Illinois versus Illinois Bell
12 Telephone Company for reduction in Illinois Bell
13 Telephone Company's rates and other relief.

14 May we have the appearances for the
15 record, please.

16 MR. NIXON: For the staff of the Illinois
17 Commerce Commission, Matthew L. Harvey, Sean R.
18 Brady and David L. Nixon, 160 North LaSalle Street,
19 Suite C-800, Chicago, Illinois 60601. And unlike
20 Mr. Harvey, I don't know what the extra four
21 numbers in our Zip code are.

22 MR. GOLDENBERG: On behalf the Cook County

1 State's Attorney's office, David Goldenberg and
2 David L. Heaton, 69 West Washington, Suite 700,
3 Chicago, Illinois 60602.

4 MS. SATTER: Susan L. Satter appearing on behalf
5 of the people of the State of Illinois, 100 West
6 Randolph, Chicago, Illinois 60601.

7 MR. KERBER: On behalf of Ameritech Illinois,
8 Mark Kerber, Louise Sunderland and Karl Anderson,
9 all at 225 West Randolph, HQ 25-D, Chicago 60606.

10 JUDGE MORAN: Let the record reflect that there
11 are no other appearances at this time.

12 JUDGE CASEY: All right. The matter -- this
13 docket was continued from last night to this
14 morning, specifically to pick up with Cook County's
15 motion to compel data responses from Ameritech. We
16 will hear argument on the motion to compel, but it
17 is my understanding that the parties have resolved
18 some of the outstanding data issues; is that
19 correct?

20 MR. HEATON: That is correct, your Honor.

21 JUDGE CASEY: What are or is the remaining issue
22 or issues that have not been agreed upon by the

1 parties?

2 MR. HEATON: With respect to Data Request 238,
3 Cook County received a supplemental response from
4 Ameritech that it finds sufficient.

5 JUDGE CASEY: Deficient or sufficient?

6 MR. HEATON: Sufficient. So 230 is gone.

7 JUDGE CASEY: So what's outstanding?

8 MR. HEATON: Outstanding is 237 and 272, which
9 both essentially deal with the same general issue,
10 and that is Cook County wanted a list of the names
11 of parties or individuals that had helped prepare
12 the response that Ameritech made to Chairman
13 Mathias' data requests, as well as names of
14 individuals who helped prepare the responses to
15 Cook County's data requests.

16 Where there is disagreement, I think, is
17 that since Cook County didn't receive a list of
18 these names prior to its filing this motion, Cook
19 County believes that it has been unable to question
20 individuals with relevant -- with knowledge of
21 relevant facts.

22 JUDGE MORAN: Mr. Heaton, what is the subject

1 matter of these inquiries?

2 MR. HEATON: The general subject matter is, your
3 Honor, is service quality issues, specifically that
4 deal with head count changes that occurred within
5 Ameritech's network operations organization during
6 the period of the alt reg, during the alt reg
7 period, and post merger. The subject matter also
8 deals with admissions that Ameritech made to the
9 Commissioners last fall when the Commissioners held
10 open hearings regarding deficient service quality
11 per Ameritech. So that's the general area of the
12 subject matter of these data requests.

13 JUDGE CASEY: The remaining outstanding is sue or
14 issues?

15 MR. HEATON: The remaining outstanding issue or
16 issues, I believe is that --

17 JUDGE CASEY: You need the names.

18 MR. HEATON: We need the names. And now, at
19 this point, we have asked in alternative that
20 Ameritech produce these individuals at the
21 hearings, or through depositions. And the reason
22 why we've requested it this late is because until

1 February 14th --

2 JUDGE CASEY: Mr. Heaton, we will get into the
3 timing of this in just a minute. I specifically
4 wanted to know what you are looking for, and you
5 are looking for the names?

6 MR. HEATON: Yes.

7 JUDGE CASEY: Mr. Kerber can you not produce the
8 list of the names?

9 MR. KERBER: I don't have any problem at this
10 point providing what the motion to compel
11 characterizes as a short list of a few key
12 individuals. The motion was the first time that
13 that is what the request is.

14 The original request was for the name of
15 an individual or individuals who would be
16 responsible for asking questions at the hearings.
17 And at the time that question was propounded, no
18 party had suggested that we produce anybody other
19 than -- at the hearings, other than the witnesses,
20 that at that point had submitted prepared
21 testimony.

22 And so I answered that question by

1 essentially saying that the witnesses would answer
2 within the scope of their prefiled testimony as
3 would be consistent with proper cross. And then in
4 a follow-up telephone conversation, I indicated to
5 Mr. Heaton that based on the types of questions
6 that he was asking in general, Mr. Hudzik would be
7 the most appropriate witness to ask.

8 However, I cautioned him that the scope
9 of the data requests that he was referring to might
10 well exceed both the scope of Mr. Hudzik's prepared
11 testimony, and the scope of Mr. Hudzik's personal
12 knowledge, and that therefore I wasn't making any
13 representations, certainly without knowing what the
14 question and the subject were, that Mr. Hudzik
15 would necessarily be able to answer any particular
16 question.

17 And I indicated that we would certainly
18 try to address that, and would respond in good
19 faith to any hearing data requests, consistent with
20 Commission practice, if in fact they ran into a
21 brick wall in terms of what Mr. Hudzik was able to
22 answer.

1 JUDGE CASEY: Mr. Kerber, so if I'm hearing you
2 correctly, you think Mr. Hudzik would be able to
3 answer most, if not all of the questions?

4 MR. KERBER: I think so, depending on what they
5 were.

6 JUDGE CASEY: In addition to Mr. Hudzik, though,
7 Ameritech would provide a short list of potential
8 persons that created the documents or not?

9 MR. KERBER: To be more specific, I don't have a
10 problem in principle with providing that, I'm not
11 too sure what the purpose is at this point, given
12 where we are hearing schedule wise. They didn't
13 ask for that until they filed the motion to compel,
14 which I've got a little bit of a problem with.

15 I mean, the questions have been a moving
16 target, after I responded to the first set of
17 questions, and had that follow up discussion about,
18 you know, asking Mr. Hudzik, and going via hearing
19 data requests, then I get a clarification.

20 JUDGE CASEY: We are going to go into the timing
21 of it next. I just want know whether you are
22 willing to provide the short list.

1 MR. KERBER: I have no problem with the short
2 list.

3 JUDGE CASEY: Mr. Heaton, if you receive the
4 short list, would that satisfy you?

5 MR. HEATON: Well, the short list we would have
6 to talk to those people and find out if they have
7 relevant information, so sure I would like to have
8 the list, but in addition I can't preclude the
9 possibility that we would need to admit their
10 testimony into the record.

11 MR. KERBER: And there, your Honor, is where I
12 start to have a problem, because what the Cook
13 County State's Attorney's office is asking to do
14 right now, is on the second to last day of the
15 hearing, they want to do the discovery that they
16 should have done several months ago. This was done
17 in follow up to a response to Chairman Mathias'
18 data request. That response went out to September.

19 JUDGE CASEY: That brings me to the next level
20 of inquiry and that's the timing. Now we have a
21 September 14th, 2000 Chairman Mathias data request,
22 when was the response --

1 MR. KERBER: September 28th.

2 JUDGE CASEY: And then your data request was
3 when, 237?

4 MR. HEATON: Ameritech's response to Chairman
5 Mathias' data request is dated September 28th. I
6 do not know that that was served on Cook County.
7 In fact, I doubt it was served on Cook County. We
8 filed our --

9 JUDGE CASEY: Do you have any reason to believe
10 they didn't serve it when they answered that data
11 request?

12 MR. HEATON: I just don't know when. I'm sure
13 they probably did, but I can't answer that
14 question. But yeah, it was data September 28th.

15 JUDGE CASEY: Mr. Kerber, is it your policy --
16 is it your practice to serve copies of data
17 requests on all parties?

18 MR. KERBER: Yes, it is. I wasn't personally
19 involved in the service of that one, so I can't
20 make any specific representations. But certainly
21 they would have been on the service list and in the
22 ordinary course of business they would have been

1 included.

2 JUDGE CASEY: Mr. Heaton, then your data Request
3 237 and 272 were first propounded when?

4 MR. HEATON: December 29th, 2000.

5 JUDGE CASEY: And under our rules, then,
6 Ameritech was to have responded by when?

7 MR. HEATON: I believe January 26th, 2001.

8 JUDGE CASEY: And did they respond?

9 MR. HEATON: Not on January 26th, 2001.

10 JUDGE CASEY: When did they respond?

11 MR. HEATON: I received an initial response from
12 a document which I labeled Exhibit B.

13 JUDGE CASEY: Attached to your motion.

14 MR. HEATON: Attached to the motion. This
15 document was dated January 30th. I can tell you, I
16 did not receive it on January 30th, due to -- it
17 was sent in the mail, and it wasn't, you know,
18 received in the office by January 30th, it wasn't
19 faxed to us, and I don't think that was intentional
20 on Ameritech's behalf, I think there was a mix up,
21 if I am understanding correctly, why they didn't
22 fax it to us. But I can't say for sure on that,

1 but it's dated January 30th.

2 JUDGE CASEY: Then what happened after you
3 received the the response that was dated January
4 30th, what was your next step?

5 MR. HEATON: My next step was to notify
6 Ameritech that numerous of the Ameritech's initial
7 data responses were not responsive.

8 JUDGE CASEY: And when did that take place?

9 MR. HEATON: Sometime between February 1st and
10 February 5th, and that was through telephone
11 conversations that Cook County had with Ameritech.

12 JUDGE CASEY: And when you say Cook County, was
13 that you?

14 MR. HEATON: That was me.

15 JUDGE CASEY: And when you say Ameritech, was
16 that with Mr. Kerber?

17 MR. HEATON: Yes.

18 JUDGE CASEY: What happened after the January
19 February 1st and February 5th telephone
20 conversation?

21 MR. HEATON: There were letters exchanged, which
22 some -- some of which I included, one was a letter

1 dated February 8th, and that was marked as Exhibit
2 H attached to the motion. This is a letter from
3 Mr. Kerber to me referencing an earlier letter of
4 mine on February 7th.

5 In the February 7th letter I expressed
6 that several of the responses from the January 30th
7 response were not responsive to the questions
8 asked. This letter from Mr. Kerber states, I'm not
9 able to determine why you believe that some of our
10 answers to your third set of data requests are not
11 responsive. Again, I received this letter a couple
12 days after it was sent in the mail.

13 Before I received the letter, I had
14 prepared a draft motion to compel because we had
15 had several conversations, and in our view we were
16 not getting responsive answers. So I filed the
17 draft motion to compel, laying out all of the
18 issues that we felt were pending.

19 JUDGE CASEY: When you say you filed it, you
20 filed it with the clerk?

21 MR. HEATON: I didn't file it, I drafted it and
22 I e-mailed it to Mr. Kerber which he read. In

1 response to that draft motion, the parties were
2 able to -- Ameritech gave further supplemental
3 responses, I clarified --

4 JUDGE CASEY: When did you send him the draft
5 motion to compel, and then if you could tell me
6 when the additional supplemental responses were
7 given?

8 MR. HEATON: Draft motion is dated February 8th
9 and I'm fairly certain I e-mailed it to him on that
10 date, it might have been the next day.

11 MR. KERBER: I think it was that day, I think
12 you sent it to me on the 8th.

13 MR. HEATON: That next morning, Mr. Kerber and I
14 had a conversation and we are like, oh, well, and
15 from that conversation it was clear that we really
16 hadn't done everything we could do as far as
17 working it out informally.

18 And so in response to that conversation,
19 I clarified some of the questions in the original
20 data response, because in Mr. Kerber's letter of
21 February 7th he said he couldn't determine why you
22 believe some of our answers are not responsive. So

1 I tried to make that clear.

2 JUDGE MORAN: Did you make them clear orally or
3 in writing?

4 MR. HEATON: In writing, and some of it orally,
5 but I can't say we spoke orally about every single
6 issue that was addressed in that clarification
7 letter.

8 JUDGE MORAN: And is that clarification letter
9 an exhibit here?

10 MR. HEATON: Yes, it's attached as Exhibit C
11 with the February 11th letter with clarification.
12 I think if your Honor looks at the cover letter,
13 it's clear that the we were able to resolve several
14 of the disputes, because I listed out specifically
15 that there was no dispute remains on several
16 questions.

17 JUDGE CASEY: Mr. Kerber, with respect to the
18 timing in -- of the events that Mr. Heaton has
19 related, do you have any modifications,
20 clarifications, disputes?

21 MR. KERBER: I guess what I would ask you to do
22 is take a look at Exhibit G, second full paragraph.

1 And this kind of summarizes, I think pretty
2 accurately, where we were at that point. We had
3 had a couple of telephone conversations, and this
4 on February 7th, and in essence this letter
5 recounts the conversation where I advised him that
6 Mr. Hudzik would in general be the right witness
7 for him to address his questions to, and made my
8 offer to resolve any remaining questions via a
9 record data request.

10 I think what the letter very accurately
11 captures, both in terms of the letter itself and
12 our conversations, is you see no particular protest
13 or objection to that approach from the Cook County
14 State's Attorney. Now, I would not characterize
15 Mr. Heaton as having expressly agreed, either,
16 that would be unfair. He said, you know, okay, not
17 okay I agree, but I mean we talked about this, I
18 laid out, you know, what's in here. And so I get
19 this letter, and so at this point, my thinking, at
20 least, is that's how we are going to handle it.

21 Then on February 11th, I got the
22 clarification from Mr. Heaton clarifying Request

1 237 and 272, and requesting that I identify every
2 single person who was involved in the development
3 of the Mathias data request and the Cook County
4 head count related data request. And essentially
5 round them all up, and produce them in the hearing
6 room, just in case Cook County had a question that
7 Mr. Hudzik couldn't answer. And I just wasn't
8 about to do that, and I certainly objected to that.
9 You know, this is coming on February 11th.

10 And, you know, I think ultimately what
11 the rules of practice allow a party to do is to
12 identify individuals with relevant knowledge
13 through their discovery, figure out if they've got
14 relevant requests on relevant subject matter for
15 named individuals, and upon doing the right
16 procedural things and making the right substantive
17 showings, to have those named individuals present
18 in the room.

19 And I think the bottom line is that's
20 not what they've done. I mean Cook County is -- in
21 the February 11th clarification of the data
22 request, Cook County is kind of on the first step

1 of the discovery that you need to do to figure out
2 who it is that you want in the room, and see to it
3 that they are here.

4 JUDGE CASEY: Mr. Kerber, with respect to the
5 Data Request 237 and 272, 237 asks that you provide
6 the name of the individual or individuals
7 responsible for answering questions at this hearing
8 regarding Chairman Mathias' data request. Is that
9 Mr. Hudzik?

10 MR. KERBER: That was Mr. Hudzik to the extent
11 that it was within the scope of his testimony and
12 his knowledge.

13 JUDGE CASEY: Well, what about -- are there
14 things within Chairman Mathias' data request that
15 are beyond the scope of Mr. Hudzik's knowledge or
16 testimony? I don't know, I'm asking you.

17 MR. KERBER: I don't know if that will come up
18 in the hearing, but it's a relatively long and
19 detailed data request. The answer to that data
20 request is a binder with 15 tabs. And Mr. Hudzik
21 is familiar with the information in the data
22 request, he's certainly reviewed the data request

1 himself and he assisted in the preparation of a
2 fair amount of it, but some -- you know, we
3 answered a couple of thousands data requests, it
4 was a big team effort.

5 JUDGE CASEY: Your response that you gave me for
6 237, is it the same for 272?

7 MR. KERBER: Yes.

8 JUDGE CASEY: Mr. Heaton, the data request 237
9 refers to the data request of Chairman Mathias, was
10 that data request in this docket or a different
11 docket?

12 MR. HEATON: Frankly, I don't know that Chairman
13 Mathias issued it in any specific docket at all.
14 So I can't answer that question. I would briefly
15 like to respond to something counsel said.

16 JUDGE CASEY: Go ahead.

17 MR. HEATON: I think it's a real misstatement,
18 he really misstated what we did in our
19 clarification. Mr. Kerber suggests that Cook
20 County asked them to round up every witness that
21 had any knowledge, whatsoever, and bring them here
22 into the hearings.

1 I'm going to read directly from the
2 February 11th clarification. Please provide the
3 name of the individual or individuals who will be
4 responsible for answering questions at the hearings
5 relating to Ameritech's responses to Chairman
6 Mathias' data request dated September 14th, 2000.

7 That sentence was in the original data
8 request. This was the clarification. To the
9 extent Mr. Hudzik is unable to answer said
10 questions, provide the name of the primary
11 individual or individuals who prepared Ameritech's
12 responses to the Cook County State's Attorney's
13 office's third set of data requests and third set
14 of interrogatories, and be prepared to produce them
15 at the hearings for examination. The primary
16 individuals are quite different than the whole
17 bunch.

18 MR. KERBER: That's fair enough, but it doesn't
19 really change my position.

20 MR. HEATON: Furthermore, Ameritech never
21 objected to producing a list of these witnesses
22 until February 14th. So, I mean --

1 MR. KERBER: And I still don't fundamentally
2 have a problem with producing a list of names. I
3 think that is reasonably within the scope of he
4 Commission's rules. What I've got a problem with is
5 number one, timing, and number two, an unfocused
6 request to make individuals available, either in
7 the hearing room, or for deposition, in light of
8 the timing.

9 I mean, they should have done this in
10 October and November, and by now they would have
11 specific names and specific subject matter, and
12 they could say, you know, bring Bill Smith in here
13 to talk about the following labor agreements, or
14 whatever the subject was. That's where we should be
15 today.

16 MR. HEATON: Your Honor, may I respond?

17 JUDGE CASEY: Last bite at the apple.

18 MR. HEATON: Cook County asked for this list on
19 December 29th, in the original data requests,
20 Ameritech failed to respond to the data requests
21 within the time requested, which was January 16th,
22 and they failed to respond by the date they were

1 required to respond under the Commission's rules,
2 February 26th -- or January 26th.

3 Had they responded on time, and provided
4 this list of people that Mr. Kerber says he didn't
5 object to providing, had they provided it by
6 January 16th, or January 26th, Cook County would
7 not be in the position today, the unenviable
8 position, of asking the Hearing Examiners to allow
9 what may be, arguably described, as additional
10 discovery. So that's the final -- my final
11 comment.

12 JUDGE CASEY: We are going off the record right
13 now.

14 (Whereupon, there was an
15 off-the-record discussion.)

16 JUDGE CASEY: Parties have been unable to
17 resolve their difference?

18 MR. KERBER: We are still where we are.

19 JUDGE CASEY: The motion to compel is denied.
20 We are going to begin with Mr. Dunkel, is that the
21 next witness?

22 MR. HARVEY: We were going to ask an indulgence

1 here, and that is if, I believe it's been discussed
2 among the parties, I'm not sure. We would do Mrs.
3 Marshall before Mr. Dunkel. I don't know --

4 JUDGE MORAN: How much cross do we have for Mrs.
5 Marshall, and are people prepared to accept that?

6 MR. ANDERSON: First of all, I was not a party
7 to these conversations. If any cross is done of
8 Marshall from Ameritech Illinois, I believe it
9 would be me and I'm not prepared. And the problem
10 is here, under the schedule, Mr. Dunkel was going
11 to go, and then I assumed Mr. Hudzik would go. And
12 I was going to take that time to determine to what
13 extent I really wanted to cross examine
14 Mrs. Marshall. So to lay it all out, that was my
15 thinking.

16 So having said that, I may come back and
17 tell you I don't have any cross for Ms. Marshall.

18 JUDGE MORAN: How about this, then let's do Mr.
19 Dunkel. By that time we should have a lunch break.
20 Would that give you time?

21 MR. ANDERSON: That would be fine.

22 JUDGE MORAN: Okay, let's start. We don't want

1 to waste any time. Mr. Dunkel, I swore you in
2 yesterday, you are still under oath.

3 (Whereupon GCI/City
4 Exhibits Nos. 8.0, 8.0P, 9.0, 9.0P
5 and 7.0 were marked for
6 identification as of this date.)
7 (Witness previously sworn.)

8 WILLIAM DUNKEL,
9 called as a witness herein, having been previously
10 duly sworn, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY

13 MR. PACE:

14 Q. Please state your name for the record.

15 A. My name is William Dunkel.

16 Q. And can you please state your business
17 address?

18 A. 8625 Farmington Cemetery Road, Pleasant
19 Lanes, Illinois.

20 Q. Mr. Dunkel, are you a witness in this
21 proceeding on behalf of GCI and the City of
22 Chicago?

1 A. Yes, I am.

2 Q. Mr. Dunkel, did you prepare or did you have
3 prepared under your supervision three pieces of
4 testimony?

5 A. Yes, that's correct.

6 Q. And let me show you what is designated as
7 GCI/City Exhibit 8.0, do you recognize that
8 document?

9 A. Yes, this is my direct testimony.

10 Q. And attached to that direct testimony, are
11 there Exhibits 8.1 through 8.31?

12 A. That's correct.

13 Q. And if -- the questions and answers -- the
14 questions that are contained in Exhibit 8.0 were
15 asked of you today would your answers be
16 substantively the same?

17 A. Yes, they would.

18 Q. And did you have occasion to prepare a
19 proprietary version of GCI and the City Exhibit
20 8.0?

21 A. Yes, it's identical except any proprietary
22 statements or numbers are omitted from that, there

1 is just a blank there.

2 Q. And that was designated as GCI and the City
3 Exhibit 8.0P, correct?

4 A. The proprietary version is P, and of course
5 it's the proprietary version that has the
6 proprietary numbers in it and the public has the
7 blanks.

8 Q. And attached to the 8.0P is a proprietary
9 set of exhibits, 8.1 through 8.31P?

10 A. Yes.

11 Q. The same question with respect to the
12 proprietary version, if those questions were asked
13 of you today would your answers be essentially the
14 same?

15 A. Yes.

16 Q. Mr. Dunkel, did you have occasion to
17 prepare -- let me hand you another document, do you
18 recognize that document?

19 A. Yes, this is my supplemental direct
20 testimony.

21 Q. And is that GCI and the City of Chicago
22 Exhibit 7.0?

1 A. Yes, it is.

2 Q. And is that the only version, a public
3 version?

4 A. Yes.

5 Q. And is that prepared by you or under your
6 supervision or direction?

7 A. Yes, it was.

8 Q. And if the questions therein were asked of
9 you today would your answers be essentially the
10 same?

11 A. Yes, they would.

12 Q. And attached to that Exhibit 7.0 is there
13 an Exhibit 7.1?

14 A. Yes.

15 Q. And that was also prepared by you or under
16 your supervision?

17 A. That's correct.

18 Q. And that is also public, correct?

19 A. Yes.

20 Q. I'm going to hand you a third piece of
21 testimony. Do you recognize that document?

22 A. Yes, this is my rebuttal testimony.

1 Q. Is that that identified as GCI/City Exhibit
2 9.0?

3 A. Yes, the public version.

4 Q. And attached to that document is a public
5 version of Exhibits 9.1 through 9.21?

6 A. That's correct.

7 Q. And if the questions contained in Exhibit
8 9.0 and Exhibits 9.1 through 9.21 were asked of you
9 today, would your answers be essentially the same?

10 A. Yes.

11 Q. And Mr. Dunkel, did you prepare a
12 proprietary version of Exhibit 9.0?

13 A. Yes, I did. And it contains the
14 proprietary version. The public version has blanks
15 or data omitted where there is proprietary data.
16 Other than that they are the same.

17 Q. And is that designated as GCI and the City
18 Exhibit 9.0P?

19 A. Yes.

20 Q. And attached to Exhibit 9.0P, are there
21 Exhibits 9.1 through 9.21P?

22 A. Yes.

1 Q. And if those questions were asked of you
2 today, and those exhibits, would your answers be
3 essentially the same?

4 A. Yes.

5 Q. Okay. With respect to the direct
6 testimony, are there any changes. Modifications,
7 that you've made since that testimony was
8 previously filed?

9 A. Yes, I have. We previously sent out a
10 packet to all, at least all the acting parties, I
11 think it was probably entire mailing list. We also
12 have some additional corrections that we will be
13 making now. None of these are significant, they
14 are minor changes.

15 MR. PACE: Can we go off the record for a
16 second?

17 JUDGE CASEY: Sure.

18 (Whereupon, there was an
19 off-the-record discussion.)

20 BY MR. PACE:

21 Q. Mr. Dunkel, I think I asked you on the
22 record, but I'll ask you again, in case I hadn't,

1 you had made changes to your direct, rebuttal, and
2 supplemental direct testimony?

3 A. Yes, we've talked about the direct part.

4 Q. Well, I'm just going to put them all
5 together. All the changes that you made to your
6 testimony are reflected in the testimony that's
7 been filed with the court reporter today, correct?

8 A. That's correct.

9 Q. And we've handed out errata sheets for the
10 parties for their convenience?

11 A. That's correct.

12 MR. PACE: Your Honor, pursuant to previous
13 Hearing Examiner orders, Mr. Dunkel is allowed to
14 provide additional direct testimony today with
15 respect to a certain schedule of Mr. Dominak?

16 JUDGE MORAN: That's correct.

17 MR. PACE: I would like to proceed with that.
18 Also, as we mentioned on the record earlier, there
19 is an agreement by Ameritech and GCI, in addition
20 to additional direct related to information
21 provided by Mr. Palmer in one of his exhibits to
22 his surrebuttal testimony.

1 MR. BUTTS: Jack, can I ask, you were going to
2 strike some of Mr. Dunkel's testimony regarding
3 directories based on what happened yesterday. Has
4 this been deleted from this or X'd out?

5 MR. PACE: Ameritech's counsel is correct.
6 There was an agreement between GCI and Ameritech
7 regarding testimony of Mr. Dunkel that should be
8 stricken, and that has been reflected in the copies
9 of the testimony that was filed with the court
10 reporter.

11 MR. BUTTS: Thank you.

12 JUDGE CASEY: But it's not reflected on the
13 errata sheets?

14 THE WITNESS: Yes, it is not. So can I identify
15 where that is.

16 JUDGE MORAN: Yes, you may. And other parties
17 have copies of that testimony, so they can follow
18 through with the striking.

19 THE WITNESS: If you will look at the copy of
20 rebuttal that has been provided, but it's not
21 mentioned in the erratas, starting on Page 12, Line
22 7, there is a question, if your proposed rate even

1 exceeds.

2 JUDGE MORAN: Is this your rebuttal?

3 THE WITNESS: Yes, rebuttal, Page 12. If you
4 are looking at the ones we've handed out today, you
5 will see there is strike out, which starts on Line
6 7, and it continues over to Page 13. It starts
7 with the question that says, if your proposed rate
8 even exceeds the LRSIC as calculated by Ameritech,
9 that is stricken, and the answer to that is
10 stricken. And it goes through --

11 JUDGE MORAN: And the following question and
12 answer?

13 THE WITNESS: Yeah, and the following question
14 and answer, and the last few words that was
15 stricken was, below LRSIC. Those word are also
16 out. The following question that starts out GCI
17 Exhibit 9.2 is in.

18 JUDGE MORAN: Is that the only change in your
19 rebuttal testimony?

20 THE WITNESS: Yes, that's the only change that
21 people who got the errata sheets would not be
22 specifically aware of. This change also is already

1 in what was handed out today.

2 JUDGE MORAN: Than you, Mr. Dunkel. Are you
3 moving for the admission of these exhibits?

4 MR. PACE: Yes, Madam Hearing Examiner, t hank
5 you for reminding me. At this time I would like to
6 move for admission of Exhibits GCI and City Exhibit
7 8.0, 8.1 through 8.31. 8.0P, and 8.1 through
8 8.31P. GCI and City Exhibit 7.0 and 7.1. And GCI
9 and City Exhibits 9.0, 9.1 through 9.21. And 9.0P
10 and 9.1 through 9.21P.

11 JUDGE MORAN: Is there any objection to the
12 admission of these exhibits?

13 MR. ANDERSON: No objection.

14 JUDGE MORAN: All right, in that event, GCI/City
15 Exhibit 8.1 which includes attachments 8.1 through
16 8.31, 8.0P which is the proprietary version,
17 including schedules 8.1 to 8.31P P, Exhibit 7.0,
18 which is includes attachments 7.1. And Exhibits
19 9.0 and 9.0{, which both include attachments 9.1
20 through 9.21 is admitted.

21 And we will begin cross examination. I
22 will just, however, indicate that before close

1 today, Mr. Pace, you will amend this GCI exhibit to
2 include GCI, slash, City?

3 MR. PACE: Yes.

4 (Whereupon GCI/City
5 Exhibits Nos. 8.0, 8.0P, 7.0, 9.0 and
6 9.0P were admitted into evidence.)

7 JUDGE MORAN: And who wishes to start cross
8 examination of Mr. Dunkel.

9 MR. PACE: Madam Hearing Examiner, we going to
10 do some additional cross examination. I'm having
11 Ms. Culler to hand out the additional direct
12 testimony today. It's not labeled as an exhibit.
13 In fact, it is a copy of documents at that are
14 already in the record.

15 The first page is Schedule 6 to
16 Ameritech Illinois Exhibit 7.3, which is an exhibit
17 of

18 Mr. Dominak. And also the second page is Schedule
19 2 to Ameritech Illinois Exhibit 7.3, which is also
20 from Mr. Dominak's testimony.

21 JUDGE MORAN: It's already part of the record?

22 MR. PACE: Yeah, it's already part of the

1 record.

2 BY MR. PACE:

3 Q. Mr. Dunkel, can you explain to us today
4 what Ameritech is attempting to do on Schedule 6 of
5 Mr. Dominak's supplemental surrebuttal testimony?

6 A. Yes. If you will look at the schedule
7 we've handed out which was Schedule 6, and
8 particularly today we are addressing the line
9 that's called the 207 million line. As it states
10 there, Mr. Dominak is removing amounts in the
11 depreciation reserve that were booked there in
12 1998, and he's also trying to remove amounts that
13 were booked into the reserve in 1997. So he is
14 trying to change what was actually booked in the
15 reserves -- in those years.

16 These amounts were actually booked, they
17 actually went into the reserve, so he is basically
18 trying to rewrite history. If he is allowed to do
19 this, what this will mean is he will be able to
20 double recover \$207 million. And let me explain
21 what I mean by that.

22 Depreciation expense is collected from

1 the customers. And the way we keep track as to how
2 much has been collected is we keep a record that is
3 called a depreciation reserve. And this is how you
4 know how much has been collected. And it's
5 important to know how much has been collected,
6 because the company is allowed to collect the total
7 investment over the life.

8 Let me take a simple example. Let's say
9 the company made a \$10,000 investment in one piece
10 of equipment, and it's a simple account, that as
11 all there is in that account. They are entitled
12 over the life of that equipment to get that \$10,000
13 back. The way they do this is they charge
14 depreciation expense that is collected in the
15 customer's rates and they do this each month. So
16 each month they get a little bit of the \$10,000
17 back. And if everything works well, by the time
18 you retire the plant they will have gotten all of
19 their \$10,000 investment back from the customers.

20 Obviously to do this over time you have
21 to keep track of how much you already collected. In
22 the past if you usually collect 7,000 and you are

1 entitled to a total of 10, you know you need to
2 collect 3 more thousand in the future. And the
3 depreciation reserve is how we keep track of how
4 much we've already collected from the customers.

5 Now, what they are trying to do in this
6 case, and let's take my simple example, let's say
7 they have collected \$7,000. They are saying our
8 records show we have collect 7,000 from the
9 customers, but let's pretend we've collected 6,000.
10 Now we are entitled to get 10,000 back. If we
11 pretend we've collected 6,000, we entitled to get
12 4,000 in the future to get to our \$10,000 fully
13 depreciated level. That's what they are trying do.

14 Now, they really have collected 7, but
15 they are going to pretend that they collected 6.
16 That means they get that same thousand dollars
17 twice. They've already collected it in the past
18 but they also collected it in the future.

19 What they are specifically trying to do
20 this this case, if you look at this Dominak
21 Schedule 6 there is a 143 million amount for 1988,
22 they actually collected that, and later one we will

1 show you a schedule that says they actually
2 collected it from the customers, it's booked, their
3 reserve record says they've collected it. They
4 want to pretend they didn't collect it which means
5 they are going to collect it again in the future.
6 1997 they actually collected 132 million
7 from the customers. Their records show they
8 collected it, the customers paid the rates that
9 cover this cost, they like to pretend they didn't
10 collect that. That means they get to collect that
11 number in the future as well. All of these get hit
12 by separation factors that we are actually talking
13 about three-fourths of these numbers. You are
14 talking about 207 million intrastate they have
15 collected from the customers, their record shows
16 they got the money, they would like to pretend they
17 didn't.

18 If you would allow this, they will get
19 to collect that 207 million twice. They already
20 collected it once, they also get it in the future..
21 Under any standard depreciation practice you are
22 allowed to collect the full amount invested over

1 time.

2 Now, I would like to show you -- I've
3 been telling you the customers have paid this
4 money, and let's demonstrate that that's true. We
5 have a document, if we could hand these out. This
6 is a response by the Company to the City of Chicago
7 Request 128.

8 MR. PACE: We are going to label this as an
9 exhibit, it would be a supplemental direct exhibit.
10 We'll call it GCI and City exhibit --

11 JUDGE CASEY: Why don't you make it a group.

12 MR. PACE: We are going to call this GCI and
13 City Exhibit 7.2. the exhibit attached to that was
14 7.1, it's going to be GCI and City Exhibit 7.2P.

15 JUDGE MORAN: So this is proprietary?

16 MR. PACE: Yes.

17 (Whereupon GCI/City
18 Exhibit No. 7.2P was
19 marked for identification
20 as of this date.)

21 JUDGE MORAN: Is there anybody in the room that
22 has not signed the confidentiality agreement in

1 this case?

2 JUDGE CASEY: Please proceed.

3

4 BY MR. PACE:

5 Q. Mr. Dunkel, can you demonstrate to us today
6 that Ameritech Illinois actually collected the \$207
7 million from ratepayers?

8 A. Yes.

9 Q. And do you have any documents that
10 demonstrate that?

11 A. Yes, I do. The document we've marked as
12 7.2P, and the pages we will be looking at are not
13 proprietary, there are pages later on that are
14 marked proprietary. The ones we are going to refer
15 to are not marked as proprietary.

16 JUDGE MORAN: Are you going to be referring to
17 anything on those proprietary pages?

18 THE WITNESS: No.

19 MR. ANDERSON: Is there any reason why this whole
20 thing has to be made an exhibit? It has the
21 aggregate revenue test, it has a bunch of other
22 stuff on it that I don't think has anything to do

1 with what Mr. Dunkel is about to testify about. So
2 I'm not sure the whole document is relevant.

3 JUDGE MORAN: What pages is Mr. Dunkel going to
4 be referring to?

5 MR. PACE: We wanted to provide a complete copy
6 of the response, since that's been a challenge by
7 certain parties through the hearings, that certain
8 data responses didn't have all of the response. So
9 at this time we decided, well, we would put the
10 entire response in. We are not going to be talking
11 about every page, in fact, I think maybe one or two
12 pages. Should we go through this, and then maybe
13 think about that?

14 JUDGE CASEY: Conduct your examination, and then
15 when you move to admit, Mr. Anderson --

16 BY MR. PACE:

17 Q. Can you please, Mr. Dunkel, just describe
18 what this document, GCI and City Exhibit 7.2P is?

19 A. Yes, this is the company's response in
20 which we asked for a copy of the annual reports
21 that the company files with the Commission.

22 Q. And that was City of Chicago Data Request

1 28?

2 A. That's correct.

3 Q. You can proceed.

4 A. If you would look at the document that is
5 marked March 31, 1998, this is a report that
6 pertains to the year 1997. If you would look at
7 the third page of that document,.

8 JUDGE MORAN: Not counting the cover page?

9 THE WITNESS: Well, I was counting the cover
10 page, yes.

11 BY MR. PACE:

12 Q. How is that page described, Mr. Dunkel?

13 A. At the top it's called calculation of
14 balance available for return. First of all, if you
15 would look at about an inch and a half down, there
16 is a line called total operating revenues, it's
17 some \$2.6 billion, I think this is. Those are the
18 revenues that are received from the customers, this
19 is what is collected in customer's rates. So this
20 is money that comes directly from the customers.

21 The line below that, is called
22 depreciation expense. This is some \$271 million --

1 I'm sorry, \$671 million, the depreciation expense,
2 and this is for the year 1997. This is the amount
3 of expense that the company actually booked, and
4 this includes the intrastate portion of the 132
5 million that we talked about before that's back on
6 Dominak's Schedule 6. So that expense he's trying
7 to remove is part of this expense that is in this
8 671 million.

9 Now I would like to point out that this
10 money did not come at the expense of the
11 shareholders. This Commission back in the '95 case
12 said the shareholders were entitled to a return of
13 9.64 percent on their investment. If you look at
14 the bottom of this schedule, this annual report we
15 are looking at, you will see that after all
16 expenses were covered the shareholder got 16.85
17 percent return on investment.

18 So clearly paid the depreciation expense
19 did not come at the expense of the shareholders.
20 It came from the money paid in by ratepayers which
21 covered the depreciation expense, all the other
22 costs here and there was still 16 percent return

1 left for the shareholders.

2 Now, what happens to the 671 million
3 depreciation expense that was expensed in 1997 is
4 that goes into the depreciation reserve. That is
5 the reserve is marked to keep track of the fact
6 that 671 million has been collected from the
7 customers. And that is the amount they are trying
8 to pretend was a smaller number. The real amount
9 was 671. If accept their adjustment on Schedule 6,
10 you would say let's pretend it wasn't 671, it was
11 about 572. You would ignore the money that was
12 actually collected.

13 If you look at Dominak -- the document
14 we handed out before that starts with Dominak
15 Schedule 6, if you look at the second page of that,
16 which is also part of what they are proposing to do
17 --

18 Q. And what is that second page?

19 A. This is Dominak's Schedule 2. You will see
20 about an inch from the bottom there is a line
21 called depreciation reserve, state basis. It shows
22 approximately 4.7 billion in Column A. That is the

1 amount that is actually recorded in the reserve, or
2 I think somebody suggested that for test year, but
3 that contains, for 1997, that contains this 671
4 million figure that we look for at the '97 study.

5 What they are doing in Column D of
6 Schedule 2 Dominak is taking that number down.
7 They are taking out part of the money that was
8 actually booked in '97 and '98. So they are going
9 to pretend that they collected less than they
10 collected. As we've shown from the annual reports,
11 they actually collected a certain amount, it was
12 collected in customer's rates, they have that
13 money. They would like to pretend they didn't.

14 We have also given you another copy
15 which is the 1998 report, it's the same thing, you
16 look at the same pages, you see they actually got
17 this money. They still were getting 16 percent
18 more return after getting enough money from the
19 customers to cover all the depreciation expense.

20 Q. Did you mean to refer --

21 JUDGE MORAN: When you are talking about '98,
22 are you talking about this other?

1 THE WITNESS: Yes, the other document, it's
2 dated March 31, '99.

3 MR. PACE: Can we go off the record for a
4 second?

5 JUDGE MORAN: Yes.

6 (Whereupon, there was an
7 off-the-record discussion.)

8 MR. PACE: Just so the record is clear, GCI and
9 City Exhibit 7.2P has two documents attached to it.
10 One dated March 31, 1998, and the second one is
11 dated March 31, 1999.

12 BY MR. PACE:

13 Q. So Mr. Dunkel, if you went through the
14 document entitled March 31, 1998, or excuse me,
15 1999, your analysis would essentially be the same,
16 obviously there is different numbers there, but the
17 same points would be made, correct?

18 A. Yes, the third page shows that they had
19 actually booked the depreciation expense intrastate
20 of 713 million, the customers' rates covered that,
21 plus produced over 16 percent return on investment
22 for the shareholders. So again the 713 million

1 depreciation expense was not at the expense of the
2 shareholders.

3 Q. Mr. Dunkel, you had proposed a reasonable
4 depreciation sponsor for pro forma test year. What
5 standard applied for determining the booked state
6 basis?

7 MR. ANDERSON: I'm going to object to this
8 question, it goes beyond the narrow scope of this
9 additional testimony.

10 JUDGE MORAN: It does.

11 MR. PACE: I haven't, first of all, asked the
12 full question. I would like to have the question
13 on the record.

14 JUDGE MORAN: Sure.

15 BY MR. PACE:

16 Q. What standard applied for determining the
17 booked state depreciation expense for 1997 and
18 1998?

19 MR. ANDERSON: The same objection. I understood
20 that this -- that GCI was provided latitude here to
21 present additional oral testimony, which of course
22 we haven't had an opportunity to review ahead of

1 time, narrowly focused on the issue that GCI had
2 raised in its objection to the supplemental
3 surrebuttal testimony of Mr. Dominak. And that is
4 the issue regarding the \$207 million number in the
5 calculation of the depreciation reserve.

6 And therefore I believe testimony that
7 goes beyond that narrow scope would be improper,
8 and prejudicial.

9 MR. PACE: Well, the \$207 million number
10 obviously is evidenced by Mr. Dominak's Schedule 6.
11 He's talking about an adjustment based on 1998 and
12 1997 depreciation expenses. So this is a question
13 that certainly related to the \$207 million figure.
14 I think we have the right to respond to what was
15 the standard for 1998 and 1997, since they are
16 trying to bring forward the depreciation expense
17 that was booked then. I mean, it's certainly not
18 outside the scope of the original --

19 JUDGE MORAN: Are you talking about a standard
20 that was applicable at that time?

21 MR. PACE: Correct.

22 JUDGE MORAN: I will allow the question.

1 THE WITNESS: As you stated, what I've been
2 doing in my testimony, when we talked about the
3 issue of the overdepreciated accounts, is I have
4 said for test year purposes which is for the
5 purpose of setting rates in the future. There is
6 no valid depreciation expense in these accounts for
7 the 1998 test year basis. And that's for the
8 purpose of setting future rates.

9 That does not mean that I'm saying that
10 you should go back in the past and changed what was
11 actually booked in the past. The standard that
12 existed in 1997 and 1998, was the company had been
13 given depreciation freedom to a large extent. They
14 were allowed to book whatever number they wanted to
15 book, and we have not challenged that. In no case
16 have we asked to change any of the numbers that
17 were booked in past years by the company.

18 We have not tried to change the reserve
19 that results from those bookings by the company.
20 They have freedom, whether we like it or not,
21 that's what they had. What they chose to do, and I
22 can demonstrate the standard they used. If you

1 look at the document we handed out that's dated
2 March 31, 1998.

3 BY MR. PACE:

4 Q. And that's attached as part of GCI/City
5 Exhibit 7.2P?

6 A. Yes, it is. And again we're looking at the
7 same page that we looked at before, which is the
8 third page, when you see the depreciation expense,
9 there is a note at the bottom that says the
10 depreciation expense for Illinois jurisdictions as
11 computed based on the rates and amortization
12 amounts calculated under depreciation freedom
13 allowed in the '92 docket.

14 They had the right to choose this
15 number, they choose the number, they booked it,
16 they collected revenues from the customer that
17 covered it, that money is there. They cannot --

18 JUDGE MORAN: That an issue?

19 THE WITNESS: It is an issue. They are trying
20 to say if we talk about what's appropriate for the
21 future test year, that means they have the right to
22 go back and change what is done in '97, and that

1 does not relate to what we are saying at all. They
2 chose the number, or they chose it well or not, I
3 don't know, we haven't made an issue of that.

4 They do not now have the right to choose
5 the number, collect the money from the customers,
6 and now say we would like to change the number. I
7 would also like to point out they are not planning
8 to give the money back to the customers. They are
9 not saying let's take 207 million out that we have
10 collected from the customers and give it back.
11 They are going to take it out and simply keep it.

12 MR. PACE: That concludes the additional
13 testimony with respect to the 207 million. At this
14 time I would like to move for admission of GCI and
15 City Exhibit 7.2P.

16 JUDGE MORAN: And there was an objection from
17 Ameritech on this. Are you taking that back or do
18 you want to cross first?

19 MR. ANDERSON: I don't have objection to
20 admitting the exhibit for the purposes for which
21 Mr. Dunkel testified regarding the exhibit. And I
22 believe it would be administratively cleaner if the

1 relevant pages were submitted as an exhibit, but I
2 will leave that to GCI.

3 JUDGE MORAN: But the exhibit is limited to the
4 pages on which it has been crossed.

5 MR. PACE: I'm a little confused. The entire
6 pages are admitted?

7 JUDGE MORAN: Right.

8 MR. PACE: At this time, Mr. Dunkel is going to
9 respond to briefly to the information, in our view
10 additional information provided on Illinois --

11 Ameritech Illinois Exhibit 10.3, Schedule 4, which
12 is Mr. Palmer's, I believe, surrebuttal testimony.

13 MR. ANDERSON: That would be the supplemental
14 surrebuttal.

15 THE WITNESS: Yes. On Mr. Palmer's supplemental
16 surrebuttal he provided a chart that added some
17 columns, general support, corporate overhead, et
18 cetera. He added those -- he previously had
19 similar documents that dealt with Band B, he added
20 these additional columns onto Band A for the first
21 time, and also onto call packs for the first time.

22 BY MR. PACE:

1 Q. Mr. Dunkel, I don't believe we've
2 circulated a copy of this to the hearing examiners.

3 JUDGE MORAN: And I'm really lost as to what is
4 going on.

5 BY MR. PACE:

6 Q. Could you please describe in more detail
7 what this document is and the additional numbers
8 that we are talking about, and put it in context,
9 please.

10 A. Sure. The first column of this chart that
11 Mr. Palmer distributed shows the LRSIC cost as
12 calculated by the company, and that's not at issue
13 in this particular point, it's an issue elsewhere
14 but not here.

15 Q. When you say not here, you mean right now?

16 A. Not for this instance. However, he also
17 has additional columns. After he shows the LRSIC
18 cost, he has about five or six other columns where
19 he says for a particular service here's what I
20 contend is the shared cost, here's what I contend
21 is the corporate overhead cost, here is what I
22 contend is the network support cost. He as

1 allocated all these costs to particular services.

2 He had previously done this for a more
3 limited group of services. He previously had done
4 it for usage, Band B usage, and I objected to what,
5 because it's arbitrary, et cetera, but we won't get
6 into that.

7 Q. Let -- Mr. Dunkel, let me interrupt you for
8 a second. The purpose of today's additional
9 testimony on this exhibit of Mr. Palmer is to
10 explain your previous criticism with respect to
11 this information?

12 MR. ANDERSON: I'm going to object, and could we
13 go off the record for one minute.

14 JUDGE MORAN: Sure.

15 (Whereupon, there was an
16 off-the-record discussion.)

17 BY MR. PACE:

18 Q. Mr. Dunkel, Mr. Palmer in Exhibit 10.3,
19 Schedule 4 provided additional cost information
20 that had not been on some previous exhibits. Can
21 you please briefly make a statement with respect to
22 that additional information?

1 A. In some of his prior exhibits, he had shown
2 additional columns that he was adding to LRSIC and
3 we had numerous objections to those, which I'm not
4 going to repeat now, but we had objected to those.

5 In his new schedule, he has done a
6 similar addition to additional services that he had
7 not made previously such an addition to. So all of
8 my objections of adding these additional columns to
9 the ones he did before, also apply to adding these
10 additional columns to the one he's just recently
11 done.

12 MR. PACE: Thank you, Mr. Dunkel. I would now
13 like to offer Mr. Dunkel for cross examination.

14 MR. ANDERSON: Just a point of information, Mr.
15 Pace. What were the exhibits marked that you and
16 Mr. Dunkel sponsored during his additional direct?

17 MR. PACE: There is was only one additional
18 exhibit, and that's GCI and City Exhibit 7.2P.

19 CROSS EXAMINATION

20 BY

21 MR. ANDERSON:

22 Q. Mr. Dunkel, is there a line item on a

1 customer's bill for Ameritech Illinois that says,
2 quote, depreciation expense, unquote?

3 A. No, but it's included in there as we've
4 shown.

5 MR. ANDERSON: I'm going to move to strike that
6 answer after the word no. It's a yes or no
7 question.

8 THE WITNESS: The answer is no.

9 MR. ANDERSON: I would move to strike the answer
10 that was previously provided.

11 JUDGE CASEY: The answer beyond the answer no
12 will being stricken.

13 BY MR. ANDERSON:

14 Q. Does Ameritech Illinois offer a service to
15 customers that customers can buy which is called,
16 quote, depreciation service, unquote?

17 A. No, but that's included in what they pay.

18 MR. ANDERSON: I'm going to move to strike
19 everything in that answer after the word no.

20 JUDGE CASEY: The move to strike is granted. BY

21 MR. ANDERSON:

22 Q. Now, Mr. Dunkel, I believe on the schedule

1 for the year 1997, which is included in the March
2 31st, 1998 report, included GCI/City Exhibit 7.2P,
3 you indicated that an amount of \$671,795,000 was
4 booked to depreciation expense for intrastate
5 purposes, correct?

6 A. That's correct, they actually book a higher
7 amount, but then it gets hit by separations later
8 on.

9 Q. Now, are you familiar with the order in
10 Docket 92-448?

11 A. Yes, the final order, yes.

12 Q. Do you recall what the depreciation expense
13 allowance was and the revenue requirement adopted
14 in that case?

15 A. No, but I would expect it to be less
16 because it was fewer customers, fewer services,
17 lower revenues, et cetera.

18 Q. Would you accept, subject to check, that
19 the pro forma level of depreciation expense
20 reflected in the income statement adopted by the
21 Commission for purposes of establishing a revenue
22 requirement in 92-448 was \$441,554,000?

1 MR. PACE: I would ask if counsel has a copy of
2 that can the witness could see that?

3 MR. ANDERSON: I've got it right here.

4 JUDGE MORAN: Mr. Anderson, could you approach
5 the witness and show it to him.

6 THE WITNESS: I see that, and the revenues were
7 also about 2 billion, which was less than you had
8 later years also.

9 MR. ANDERSON: I move to strike everything after
10 the words I see that.

11 JUDGE MORAN: The motion to strike is granted.
12 Mr. Dunkel you have to confine yourself to the
13 question and not editorialize.

14 BY MR. ANDERSON:

15 Q. The order in Docket 92-0448 approved a
16 price cap form of regulation for Ameritech Illinois
17 going forward from the date of that order; isn't
18 that correct?

19 MR. PACE: I'm not going to object right now,
20 but the interpretation -- in terms of the plan and
21 so forth, is really beyond Mr. Dunkel's testimony,
22 but general questions I would allow.

1 THE WITNESS: I have a problem with your
2 statement about going forward. I think it was
3 subject to future possible review by the
4 Commission, so it's not an iron clad, air tight
5 forever rule as I understand it, but I'm not really
6 testifying on that issue.

7 BY MR. ANDERSON:

8 Q. Did the Commission approve a price cap plan
9 of regulation for Ameritech Illinois'
10 noncompetitive rates in 92-0448?

11 A. Yes.

12 Q. And since the order in that case, have
13 Ameritech Illinois' noncompetitive rates been
14 subject to price cap regulation?

15 A. That's my understanding, yes.

16 Q. And does the price cap formula contain a
17 specific factor related to Ameritech Illinois' own
18 depreciation expense?

19 A. The answer is indirectly yes, there is
20 productivity, et cetera, and it's very complicated
21 how you come up with the productivity, but normally
22 depreciation is something that is considered in

1 that.

2 Q. Is there a factor which specifically
3 incorporates Ameritech Illinois' annual
4 depreciation expense into the price cap formula?
5 And if there is, could you give me the exact part
6 of the formula which does that?

7 MR. PACE: I'm going to object as asked and
8 answered. I believe the witness said it was
9 contained in the productivity.

10 JUDGE MORAN: We are going to allow the
11 question.

12 THE WITNESS: The answer is I'm not the witness
13 that addresses productivity, but normally
14 depreciation and things like that are considered in
15 the productivity adjustment.

16 MR. ANDERSON: That wasn't the question I asked,
17 would you have the question read back, please.

18 (Whereupon, the record was
19 read as requested.)

20 MR. PACE: I'm going to also object,
21 Mr. Dunkel is not being offered as an expert on the
22 price cap formula.

1 JUDGE MORAN: If you know, Mr. Dunkel, please
2 respond.

3 THE WITNESS: I am not the one that specifically
4 worked on the formula of the state. In general I
5 am aware that depreciation is considered in the
6 productivity adjustment factor.

7 BY MR. ANDERSON:

8 Q. In the price cap formula that was applied
9 to rates charged in 1997, was there a specific
10 factor that specifically provided for the recovery
11 of \$671,795,000 in depreciation and amortization
12 expense, or do you know?

13 A. I didn't understand the question.

14 MR. ANDERSON: Can I have the question read back?

15 JUDGE CASEY: Hold on a second. Did you hear
16 the question?

17 THE WITNESS: I heard it, I just don't
18 understand what he means by factor.

19 JUDGE CASEY: He heard the question, he doesn't
20 understand the question.

21 BY MR. ANDERSON:

22 Q. You don't understand what I mean by the

1 term factor in connection with the price cap
2 formula?

3 A. Not as far as recovering these costs. The
4 sheet we are looking at shows where the revenues
5 came from. If you are referring to something on
6 here, I can answer that. If it's something that is
7 not on this schedule, I guess I don't understand
8 the question.

9 Q. Can you tell me what the price cap formula
10 is?

11 MR. PACE: I'm going to object. He's not
12 testifying --

13 JUDGE MORAN: If he knows.

14 THE WITNESS: Again, I'm not going to get into
15 details, but it's basically inflation less
16 productivity factor, and that's basically how you
17 adjust the price cap.

18 BY MR. ANDERSON:

19 Q. Do you know whether Ameritech Illinois'
20 rates for noncompetitive services, subject to the
21 price cap formula, have on an overall basis
22 declined or increased since 1995?

1 MR. PACE: I just want to make sure, did you say
2 rates declined or revenue? I didn't hear you.

3 MR. ANDERSON: Rates.

4 THE WITNESS: I don't specifically know. I
5 would guess since the industry is very productive
6 that the rates should have been declining if they
7 are anywhere near matching productivity gains.

8 BY MR. ANDERSON:

9 Q. Now, Mr. Dunkel, would you please refer to
10 your Exhibit 8.23. Now, Mr. Dunkel I'm going to
11 ask you some questions regarding the basis for some
12 of the numbers on this schedule. The schedule
13 itself and the numbers are proprietary. I don't
14 intend to ask questions which would reveal the
15 proprietary information. If there is a need to
16 answer in a way that reveals the proprietary
17 information, please let me know and we can go in
18 camera.

19 A. Certainly.

20 Q. Now, on GCI Exhibit 8.23, you present a
21 summary of your proposed LRSIC costs for
22 residential and business local usage and vertical

1 features; is that correct?

2 A. I'm not sure the vertical features are in
3 that schedule, the local usage is.

4 Q. I apologize, you are correct, the vertical
5 features are on 8.25. Now, with respect to 8.23,
6 and the LRSIC's which you show there for
7 residential local usage, is it correct that you
8 relied on the LRSIC studies provided to you by the
9 company, but then made revisions to reflect one, a
10 change in the growth and replacement line mix, and
11 two, a change in the annual charge factor?

12 A. If by annual charge factor you mean the
13 factor related to the cost of money in capital
14 structure, the answer is yes.

15 Q. Okay, thank you. Those were the only two
16 changes that you made to the LRSIC results of the
17 company with respect to local usage; is that
18 correct?

19 A. That's correct.

20 Q. And would it be correct that the change in
21 the growth and replacement line mix, which you are
22 proposing, is the topic discussed at Page 51, Lines

1 11 to 13 of your direct testimony?

2 MR. PACE: Counsel, did you say Lines 13 to 15
3 or 11 through 13?

4 MR. ANDERSON: 11 to 13 is what I said.

5 JUDGE MORAN: On Page 51.

6 THE WITNESS: I would say that starts on Page
7 50, it is included on Page 51, but that's basically
8 the end of the discussion.

9 BY MR. ANDERSON:

10 Q. I just want to make -- all I'm trying to do
11 here is verify that with respect to the residential
12 local usage rate, LRSIC, the change you made with
13 respect to the growth and replacement line mix is a
14 topic addressed in your direct testimony, and I
15 just want to make sure the record is clear where
16 that is addressed.

17 A. It starts on Page 50.

18 Q. And then basically ends on Line 13 on Page
19 51, correct, before the discussion of revenue
20 ready?

21 A. That's correct. And the same issue is also
22 discussed in my rebuttal testimony as well.

1 Q. And that was an issue you raised with
2 respect to the network access line LRSIC's as well
3 as the usage rate?

4 A. That's correct

5 (Change of reporter.)

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1 (Whereupon, there was a change
2 or reporter.)

3 BY MR. ANDERSON:

4 Q. Now, the other change you made with respect
5 to the usage LRSIC was the change to the annual
6 charge factor. Would it be correct that one of the
7 changes you made was to reduce the cost of money
8 used by the company in its LRSIC study to 9.74
9 percent?

10 MR. PACE: Do you have a reference to testimony?

11 MR. ANDERSON: I thought I did, but I don't at
12 the moment.

13 I believe the discussion on that begins
14 at Page 54 of Mr. Dunkel's direct testimony. I
15 believe the specific reference to 9.74 is at Page
16 56, Lines 3 to 5.

17 THE WITNESS: That's correct.

18 MR. PACE: There is a pagination issue, so the
19 lines are a little off. That is for everybody for
20 identification purposes.

21

22 BY MR. ANDERSON:

1 Q. Now, your proposed cost of money reflects
2 the low end of the Staff
3 recommended -- let me start over.

4 Your proposed cost of money of
5 9.74 percent was calculated using the capital
6 structure shown in Staff Exhibit 11.11;
7 is that correct?

8 A. That and everything else from that
9 Staff exhibit at the low end.

10 Q. And your 9.74 percent cost of money would
11 also reflect the low end of Staff's recommended
12 common equity cost range in this proceeding; is
13 that correct?

14 A. That is correct. That is the only variable
15 that differs between the low and high end on that
16 schedule.

17 Q. Now, refer to Page 74, Line 1 of your
18 rebuttal testimony.

19 MR. PACE: Can you repeat the pages.

20 MR. ANDERSON: Page 74, Line 1.

21 MR. PACE: Thank you.

22 BY MR. ANDERSON:

1 Q. Now, I have in mind a sentence, and I don't
2 know whether it is in the same place on your
3 testimony. The sentence reads, "The total overall
4 cost of money the Commission adopted in that
5 proceeding was 9.64 percent." Do you see that?

6 A. Yes, I do.

7 Q. What proceeding were you referring to when
8 you made that statement?

9 A. If you look at the footnote that goes right
10 with the 9.64 percent, it refers to
11 Page 175 of the Interconnection Order. We have a
12 better cite for it if you like; the Second Inter im
13 Order dated February 17th, 1998,
14 Docket 96-0486/96-0569.

15 Q. Now, I'm a little confused because I have a
16 copy of that order. I don't have a
17 Page 175. I also couldn't find a reference to 9.64
18 percent. I was wondering whether you could
19 straighten me out on that.

20 A. Actually, what you have, the first number,
21 the 9.64, is from the -- the Commission's Alt Reg
22 Order which was passed in

1 Docket 92-0448/93-0239. The following paragraph,
2 the 9.52 percent is from the
3 Interconnection Order.

4 Q. The footnote 109 should have referred to
5 the 92-0448 docket?

6 A. It is Page 175 of the Alt Reg Order. I
7 would like to make that errata.

8 Q. Now, Page 175 of the Alt Reg Order,
9 92-0448, shows a cost of capital of 9.65 percent;
10 is that correct?

11 A. Mine says 9.64.

12 Q. You are correct.

13 A. Okay.

14 Q. That is what you're relying on here in the
15 statement at the top of Page 74?

16 A. That is what I'm referring to. That is not
17 the cost of capital used in my cost studies.

18 Q. I'm talking about that particular sentence.
19 You were referring to 175 of this order?

20 A. That is correct.

21 Q. And that reflects a cost of common equity
22 of 11.36 percent; is that correct?

1 A. That is what the Commission adopted
2 back then.

3 Q. Is it your understanding that the
4 Commission approved or adopted a cost of
5 common equity of 11.36 percent for use in the LRSIC
6 cost of service study approved in
7 Docket 92-0448?

8 A. My understanding is there was a different
9 number specified in that.

10 Q. Do you know what the different
11 number was?

12 A. I don't have the cite in front of me. I
13 think it was 11.8. I don't have the particular
14 cite here.

15 Q. Would you agree, subject to check, that for
16 purposes of the LRSIC study, the Commission
17 approved a cost of common equity of
18 11.97 percent?

19 A. I would accept that.

20 Q. Thank you.

21 And the cost of common equity of 11.36
22 percent was adopted for purposes of establishing a

1 revenue requirement, correct?

2 A. Yes.

3 Q. Thank you.

4 Do you know what the overall cost of
5 capital or what overall cost of capital was
6 approved for use in the company's costs of service
7 studies in Docket 92-0448.

8 MR. PACE: Can you repeat the question.

9 MR. ANDERSON: I'll ask the question over. BY

10 MR. ANDERSON:

11 Q. Do you know what overall cost of capital
12 was approved by the Commission for use in the
13 cost of service studies approved in
14 Docket 92-0448?

15 A. I don't have it in my mind. If you have a
16 copy of the order, we will look through it and I
17 can you give you a page cite.

18 Q. I just want to know whether you know.

19 Now, going back to the adjustment you
20 have made to the Company's LRSICs for usage, would
21 it be correct that by using a lower cost of capital
22 than the company used in its cost of service

1 studies in this case, the affect would be to lower
2 the LRSICs?

3 A. Lower cost of capital causes lower LRSIC,
4 basically, yes.

5 Q. If the Commission were to conclude that the
6 cost of capital to be used in the cost of service
7 studies in this case should be higher than the cost
8 of capital used by the Company, that would have the
9 affect of increasing the LRSICs for all of company
10 services, all other things being equal, correct?

11 A. Could you restate that question.

12 Q. For every service for which the Company
13 calculated a LRSIC in this case, do you have that
14 in mind?

15 A. Yes.

16 Q. For all of those services for which the
17 Company has presented evidence of the LRSIC cost,
18 if the only change the Commission were to make
19 would be to adopt a higher cost of capital than the
20 cost of capital which the company used in its LRSIC
21 study, that would have the affect of increasing the
22 LRSICs for those services; would you agree with

1 that?

2 A. It is a mathematical fact that if the cost
3 of money is higher, the resulting cost is higher.
4 Your hypothetical with the Commission action, I
5 cannot comment on.

6 Q. The answer, viewing it as a hypothetical,
7 is yes?

8 A. Higher cost of money raises the cost. That
9 is the answer.

10 Q. Raises the LRSIC?

11 A. Yes.

12 Q. Now, in addition to changing the cost of
13 money, your change to the annual charge factor also
14 reflects a change in the calculation of
15 net investment; is that correct? I'm referring to
16 Page 59 of your direct.

17 A. Yes, in fact, this is probably the biggest
18 change on the cost of money factor. Your company
19 assumed a very small amount of the investment was
20 from the depreciation of
21 tax reserves.

22 MR. ANDERSON: I will move to strike everything

1 after "yes" in the answer as being nonresponsive
2 and beyond the scope of the question.

3 JUDGE CASEY: Can you answer the question yes or
4 no.

5 THE WITNESS: That answer is yes.

6 BY MR. ANDERSON:

7 Q. And you discuss your position on that at
8 Pages 56 and 59 of your direct testimony;
9 is that correct?

10 A. The answer is yes, as well as in my
11 rebuttal.

12 Q. Just to complete the picture, the other
13 change in the annual charge factor was the revision
14 of the income tax factor discussed at Page 59 in
15 your direct testimony, correct?

16 A. Yes, and that flows from these other
17 adjustments.

18 Q. Okay.

19 All of these changes; the reduction in
20 the cost of capital, the change in the calculation
21 and net investment, the revision of the income tax
22 factor had the affect of reducing the ACF factor

1 used in making your LRSIC calculations, correct?

2 A. Reducing as compared to the Company number
3 which I thought was too high.

4 Q. Thank you.

5 And this had the affect of reducing the
6 LRSIC that you have calculated for all services
7 including network access line, usage and vertical
8 feature?

9 A. Reduced from the company numbers, is that
10 what you're saying?

11 Q. Yes.

12 A. Since the Company number was inflated, it
13 reduced that number.

14 Q. Now, is it correct that at several places
15 in your testimony, you quote from a section of the
16 Illinois Commerce Commission cost of service rule?
17 An example is Page 67 of your direct testimony.

18 A. Yes, I have quoted from that.

19 Q. Okay. And you understand the cost of
20 service rules contained in 83 Ill. Admin Code
21 Part --

22 A. You're getting a little too legal

1 for me. When the I quote that, I also quote the
2 source from it.

3 Q. Are you familiar with the proceeding in
4 which the cost of service rule was adopted by the
5 Commission?

6 A. I am generally aware of it. I did not
7 participate in it.

8 Q. Okay. Do you know whether there was a
9 series of workshops sponsored by the Commission
10 Staff to discuss the adoption of the cost of
11 service rule?

12 A. I have heard that. What I'm working on is
13 the rules that were adopted.

14 Q. So at the time, you weren't involved in
15 reviewing, for example, draft rules or
16 participating in discussions of rules in this case;
17 would that be correct?

18 A. No. What I'm enforcing is the
19 adopted rule.

20 Q. Is it correct that the most recent rate
21 proceeding involving Ameritech Illinois in which
22 you have been involved is Docket 83-0005?

1 A. Can you give me that question in English
2 instead of docket numbers. What was that about?

3 Q. Well, it was a rate docket, as I indicated
4 in the question. If you would like, I can refer
5 you to your exhibit 3.31?

6 MR. PACE: I think that is 8.31.

7 BY MR. ANDERSON:

8 Q. You identify 83-0005 as a general
9 rate case.

10 The question was, is that the most
11 recent rate proceeding involving Ameritech Illinois
12 in which you have been involved?

13 A. I believe that is true. I have been in
14 some GTE cases recently, but I do not think there
15 has been an Ameritech case recently.

16 Q. You have been in the EAS case?

17 A. Yes.

18 Q. What is an EAS case?

19 A. It pertains to what the appropriate local
20 calling area is.

21 Q. And the GTE case was the, quote, usage
22 sensitive services case; is that correct?

1 A. That's correct.

2 Q. You didn't perform a LRSIC cost of service
3 study for purposes of either of those proceedings;
4 is that correct?

5 A. On the usage sensitive service case, I
6 believe we did, yes.

7 The EAS case, we did a cost
8 study there.

9 Q. You presented a LRSIC cost study in the
10 usage sensitive case?

11 A. Yes.

12 Q. Did you present that in testimony?

13 A. As I recall, yes.

14 We were dealing with what the
15 appropriate costs are to be recovered in rates.

16 Q. Okay.

17 Well, Mr. Dunkel, I have copies of your
18 testimony from the GT case, and I don't want to
19 take a lot of time with it now, but I will give you
20 those copies. I would like you to take a look at
21 it and point out to me, at an appropriate break,
22 where you discuss having prepared a

1 LRSIC study.

2 A. Be happy to.

3 Q. And to save time, I would like to move on
4 at this point.

5 A. Sure.

6 Q. Do you know when the LRSIC rule or the cost
7 of service rule which applies now and adopted the
8 LRSIC cost test was adopted in Illinois?

9 A. I'm trying to recall. I think the copy of
10 my rules does show the date. I don't have that
11 with me.

12 Q. Would you agree that it was in 1994 that
13 the rule was finally adopted?

14 A. I would not.

15 JUDGE MORAN: Subject to check.

16

17 BY MR. ANDERSON:

18 Q. Would you accept it subject to check?

19 A. No, and I will say the rules I used are the
20 rules in effect during this case.

21 Q. Were those rule in effect in 1983 when you
22 last presented testimony in an Ameritech Illinois

1 rate proceeding?

2 MR. PACE: Objection. The LRSIC rules.

3 MR. ANDERSON: The cost of service rule we have
4 been talking about.

5 I am asking if that was in effect at the
6 time Mr. Dunkel last testified in an Ameritech
7 Illinois rate proceeding which
8 I believe was 83-0005.

9 MR. PACE: For clarification, the LRSIC rule in
10 effect today, whether that was in effect
11 in '83?

12 MR. ANDERSON: Whether the cost of service rule
13 which was adopted by the Commission which adopts
14 the LRSIC test was in effect at the time of Docket
15 83-0005.

16 MR. PACE: Any version of that rule
17 was in effect?

18 MR. ANDERSON: Any version of it.

19 THE WITNESS: I do not know.

20 BY MR. ANDERSON:

21 Q. Please refer to Page 19, Lines 10 to 20 of
22 your direct testimony.

1 There you have a statement which
2 indicates that the problem -- let me back up.

3 There you state that, quote, the problem
4 is clearly not Illinois taxes but it's the
5 Ameritech Illinois nonrecurring rate;
6 is that correct?

7 A. That's correct.

8 Q. Now, by nonrecurring rate, you're referring
9 to nonrecurring connection charges?

10 A. That's correct, as explained in
11 this testimony.

12 Q. And you indicate there that of the
13 ninety-two sample entries shown in your
14 Exhibit 8.7, all had nonrecurring connection
15 charges lower than Ameritech Illinois except for
16 five in New York State, correct?

17 A. That's correct.

18 Q. You made that comparison based on the
19 Company's current nonrecurring connection charge of
20 \$53.55; is that correct?

21 A. This exhibit is an FCC document. Let's go
22 back and see exactly what it is.

1 8.7, this exhibit is taken from an FCC
2 reference book which they published nationwide. We
3 took the data they had in there as of October 15th,
4 1998, which was the most recent version available
5 at the time we prepared
6 this testimony.

7 Q. Right. You state in your comparison -- in
8 stating that only -- in stating that of the
9 ninety-two other sample cities shown on that
10 schedule, Ameritech Illinois' nonrecurring charges
11 were higher than all but five, you're using as your
12 point of comparison for Ameritech Illinois the
13 \$53.55, correct?

14 A. I am using the rate that was in effect when
15 the FCC did this nationwide survey which was in
16 late 1998. Whether that was slightly different or
17 not, I don't know.

18 The number shown on this includes taxes.
19 The number shown in 60.64, so it is certainly
20 credible that it is close to the 53.55 plus taxes.

21 Q. And you understand Ameritech Illinois, in
22 this case, is proposing to reduce that charge to

1 \$25, correct?

2 A. Yes, and I am also proposing that.

3 Q. And the \$25 Ameritech Illinois nonrecurring
4 connection charge would be lower than the charges
5 shown for all but six of the cities shown on GCI
6 Exhibit 8.7; is that correct?

7 A. With the understanding that what is shown
8 on here includes taxes. You might be a little
9 higher on the chart within taxes added to the \$25.

10 Q. Please refer to Pages 51 and 52 of your
11 direct testimony. There you discuss revenue ready
12 fees, correct?

13 A. That's correct.

14 Q. At Page 52, Lines 15 to 17, you indicated
15 that you have excluded the cost per line of switch
16 revenue ready fees.

17 A. I lost you. What was your reference again?

18 Q. At Page 52, lines 15 to 17.

19 JUDGE CASEY: It may be your
20 Lines 16 through 18.

21 THE WITNESS: That is correct.

22 BY MR. ANDERSON:

1 Q. The reason you have excluded those revenue
2 ready fees from the LRSIC cost of the network
3 access line, correct?

4 A. That's correct.

5 Q. And the reason you have done that is
6 because, in your view, those fees are not properly
7 considered costs of the line or port, correct?

8 A. That's correct, certainly not solely caused
9 by the line or port.

10 Q. You considered those costs to be costs of
11 the switching equipment, correct?

12 A. I consider them to be shared or common
13 costs of the switching and not costs solely caused
14 by the port, for example.

15 Q. Okay. In your view, would these costs be
16 more properly attributed to the cost of providing
17 usage service as opposed to network access line?
18 Is that your view?

19 A. No. The Commission cost of service rules
20 require that a shared or common cost be excluded
21 from the LRSIC. Applying those rules, if it is a
22 shared cost, you do not put it in the LRSIC of any

1 particular service. That is the Commission rule.

2 Q. Would you please refer to Page 98,
3 Lines 16 to 18 of your direct testimony?

4 A. What were the lines?

5 Q. Lines 16.

6 A. Okay.

7 Q. There you indicate in your words that the
8 Commission is looking at, quote, how to
9 reinitialize rates as a new starting point,
10 unquote; is that correct?

11 A. Yes, this is part of my explanation as to
12 why we are looking at a test year, proforma
13 adjustment test year.

14 Q. Was it your understanding in preparing this
15 testimony that the Commission had already made a
16 determination that rates should be reinitialize and
17 that the only issue was how they should be
18 reinitialize? Was that your understanding?

19 A. No, my understanding of the general purpose
20 of this case is to look at what is appropriate for
21 the future.

22 Q. So you understand the Commission hasn't

1 made a determination whether to reinitilize rates
2 at this point in time; is that correct?

3 A. I'm not saying they have or haven't. That
4 is certainly one of the things that is being
5 discussed in this proceeding.

6 Q. You don't know whether the Commission has
7 or has not already made a decision on
8 that issue?

9 A. I don't think there is a final order in
10 this case that I'm aware of.

11 Q. Again, in your belief, and this isn't a
12 trick question.

13 Is it your understanding that this
14 Commission, because this proceeding is not over, as
15 you have noted, but is it your understanding that
16 the Commission has not made a determinati on to
17 reinitialize the rates at this point in time?

18 A. My understanding is that decision has not
19 been made, but it is something we are discussing
20 looking at in this case.

21 Q. Thank you.

22 Now, refer to the bottom of

1 Page 100 of your direct testimony. There you
2 indicate that the FCC's approved projection lives
3 were adopted several years ago; is that correct?

4 A. That's correct.

5 Q. Are you referring to the FCC projection
6 lives which you used in calculating your proposed
7 depreciation expenses for this proceeding?

8 A. If I can answer and clarify. The answer is
9 yes, those lives are used; however, I did an
10 independent analysis to convince me those were
11 reasonable.

12 Q. In terms of the formula, the mechanics of
13 the formula to come up with a remaining life, those
14 were the projection lives you used? I understand
15 you're saying that you determined for yourself they
16 were reasonable in your view.

17 A. That's correct.

18 Q. Would you agree that those projection lives
19 were adopted in 1995 by the FCC?

20 A. Yes, somewhere in that time frame.

21 Q. They wouldn't have been adopted prior to
22 that point in time, correct?

1 A. Or after. Sometimes the FCC does a
2 decision and makes it retroactive. It could have
3 been in late '95 or early '95.

4 Q. In developing average remaining lives for
5 plant accounts, the FCC uses projection lives,
6 projected net salvage value and survivor curves; is
7 that correct?

8 A. Those are three of the five parameters.
9 They also use the actual investment distribution
10 and the actual reserve percents in the calculation.

11 Q. For Ameritech Illinois, these parameters,
12 the three I have mentioned; projection lives,
13 projected net salvage values and survivor curves,
14 for Ameritech Illinois, for those parameters, they
15 were last adopted by the FCC in 1995, correct?

16 A. That's right. They are still
17 in effect today.

18 Q. In developing your remaining lives, you
19 used -- I have asked that question. Move on.

20 Now, in developing your proposed
21 remaining depreciation lives for purposes of this
22 case, you used the reserve percentage as of January

1 1, 1999, correct?

2 A. Yes.

3 Q. In developing your proposed remaining life
4 depreciation rates, you used the reserve percentage
5 as of January 1st, 1999, correct?

6 A. Yes, that is used in the rates. It is not
7 used specifically in the calculation of the
8 remaining life, but it is one of the other
9 figures used.

10 Q. And in developing your remaining lives, you
11 used the FCC projection lives, survivor curves and
12 projected net salvage values developed by the FCC
13 in 1995, correct?

14 MR. PACE: Objection. I believe the witness'
15 testimony is that he used those, but he reviewed
16 them independently for this proceeding.

17 MR. ANDERSON: I'm asking whether those are the
18 parameters he used in his calculations of the
19 remaining lives. I am not asking about his
20 judgment as to whether those are correct or not.

21 JUDGE CASEY: Overruled.

22 THE WITNESS: The answer to your question is

1 basically yes. There is a technical problem.

2 The future net salvage is not used in
3 the calculation of the remaining life figure. It
4 is used elsewhere in the calculation.

5 Yes, I used the net salvage that was
6 adopted by the FCC effective 1/1/95. It is not
7 used in the calculation of the remaining life
8 itself. It is used in the calculation of the
9 rate elsewhere.

10 BY MR. ANDERSON:

11 Q. You used the survival curves and projection
12 lives approved by the FCC effective 1/1/95,
13 correct?

14 A. Yes, in conjunction with the plant balances
15 and the plant distribution as
16 of 1/1/99.

17 Q. Okay.

18 Please refer to Page 101,
19 Lines 6 to 18 of your direct testimony. There you
20 compare the FCC's projection lives for certain
21 accounts with the, quote, observed life of 1995 to
22 1999, end quote, for those same accounts; is that

1 correct?

2 A. That's correct.

3 Q. And the FCC projection lives referred to

4 there are the ones adopted effective 1/1/ 95,

5 correct?

6 A. Correct.

7 Q. Is it correct that the term, quote,

8 projection life, as used by the FCC, represents an

9 expectation of what the average service life of new

10 additions will be in the future?

11 A. That is the definition that applies to new

12 additions.

13 There is a similar definition that also

14 applies to existing plants. It also affects how

15 long an existing plant is expected to live. If

16 something is already five years old, it affects how

17 many years it has left as well.

18 Q. Mr. Dunkel, do you recall receiving a data

19 request from the Company, which would have been

20 Item 14 of Ameritech Illinois' first set of data

21 requests to GCI in this proceeding?

22 A. I probably could recall it if you showed

1 it to me.

2 Q. Item 14 of the first set of data requests
3 of Ameritech Illinois to GCI.

4 A. Yes.

5 Q. Is it correct that the question in that
6 request was as follows: With reference to
7 Page 102, Lines 2 and 3 of GCI Exhibit 3.0, define
8 the term average life as used by Mr. Dunkel.

9 The statement of the term average life
10 has the same meaning as the term projection life as
11 used at Page 101, Lines 24 to 25.

12 It goes on, Provide all documents relied
13 upon by Mr. Dunkel for his definition of the term
14 average life.

15 Was that the request?

16 A. Yes.

17 Q. Is it correct that the response begins with
18 definitions of average life and
19 average service life?

20 A. Yes.

21 Q. Okay.

22 Would you please read the next paragraph

1 following the definition of
2 average service life?

3 A. The projection life is similar to the
4 average service life except the projection life is
5 an expectation of what the average service life of
6 new additions will be in the future.

7 In FCC's December 30th, 1999
8 depreciation order, FCC 99-397, Footnote 12 states
9 that, quote, a projection life is the average life
10 expectancy of new assets, end quote.

11 Also, in FCC 98-170 released October
12 14th, 1998, Footnote 22 states that, quote, The
13 projection life is the average life expectancy of
14 new additions to plants.

15 This is the correct definition. What I
16 was adding is this also has an impact on the
17 existing plant as well. This is how it has
18 impacted new plants.

19 Q. Those were the only definitions of
20 projected life which you provided in the response
21 to that request, correct?

22 A. Yes.

1 Q. The observed lives represent the lives of
2 assets which were retired during the period 1995
3 through 1999; is that correct?

4 A. Not exactly.

5 Q. In data request 1.11, you were asked to
6 provide work papers supporting the observed lives
7 that you list on that page in your testimony;
8 is that correct?

9 A. Yes.

10 Q. If you refer to the buried cable,
11 for example.

12 A. Let me see if I have a copy of those work
13 papers before we get too far.

14 Q. Can we look at your copy of the
15 work papers?

16 MR. PACE: Mr. Anderson, do you have a copy of
17 the work papers that were produced?

18 MR. ANDERSON: Yes.

19 BY MR. ANDERSON:

20 Q. Would it be correct that in your
21 calculation of the observed life, buried cable, you
22 have data for assets which are -- have lives as

1 long as 95 years?

2 JUDGE MORAN: Let the record reflect the witness
3 has been shown the work papers.

4 THE WITNESS: That is correct because there is
5 actually plants in service to date that was
6 installed 95 years ago. That is
7 actual data.

8 BY MR. ANDERSON:

9 Q. Your observed lives would pick up the
10 retirements of those plants and other plants of
11 similar vintage going from 97.5 years to ago to the
12 present time; is that correct?

13 A. It picks up both retirements and what
14 doesn't retire. It's actually not just what
15 retires that year. If something is already
16 50 years old and it keeps living, that is
17 information too. This is standard depreciation
18 practice.

19 Q. I don't doubt that. I'm trying to
20 establish what an observed life represents.

21 Basically, you have data for a plant
22 which has been in service for a number of years,

1 correct, which is reflected in the data?

2 A. And the brand new data is also in
3 there -- brand new plant.

4 Q. Thank you.

5 Refer to Page 50, Lines 6 to 11?

6 MR. PACE: In his direct?

7 MR. ANDERSON: Yes.

8 THE WITNESS: Okay.

9

10 BY MR. ANDERSON:

11 Q. There you assert that at the start of 1999,
12 Ameritech Illinois had a reserve surplus of the
13 amount shown on Line 7; is that correct?

14 MR. PACE: Page 50? I think we might have a
15 pagination issue.

16 MR. ANDERSON: I apologize. It's the rebuttal
17 testimony.

18 THE WITNESS: Okay.

19 BY MR. ANDERSON:

20 Q. Is the calculation of this, quote, reserve
21 surplus, unquote, shown on GCI
22 Exhibit 9.16?

1 A. Yes, it is.

2 Q. Is it correct that you calculate the
3 reserve surplus by subtracting the total reserve
4 requirement shown in Column I from the total book
5 reserve shown in Column B?

6 A. That's correct.

7 Q. Would it be correct that the reserve
8 requirement amount shown in Column I is known as a,
9 quote, theoretical reserve, unquote? In fact, you
10 footnote note it as such?

11 A. Yes, that's correct.

12 Q. And the theoretical reserve is calculated
13 using the formula shown in that footnote on Exhibit
14 9.16; is that correct?

15 A. That's correct.

16 Q. Would it be correct that the inputs into
17 the formula that you applied to calculate
18 theoretical reserves included the remaining lives
19 which you have calculated based on the projection
20 lives, survivor curves and future net salvage
21 values which you're proposing for use in
22 this case?

1 A. The answer is basically yes, but there ask
2 some technical problems. The net salvage -- the
3 future net salvage is not used in calculating the
4 remaining life itself. It is used in the
5 calculations elsewhere, however.

6 Q. Would it be correct that all other things
7 being equal, if the average remaining life used as
8 inputs into this formula were shortened, the amount
9 of the theoretical reserve would be increased, all
10 other things being equal;
11 is that correct?

12 A. That's correct. You would have to shorten
13 it quite a bit.

14 Q. The amount of the theoretical reserves will
15 vary depending on what assumptions are made with
16 respect to average and average remaining lives,
17 correct?

18 A. Were there two questions? The average
19 remaining life or something else in there?

20 Q. Is average life a factor in the formula?

21 A. Yes.

22 Q. Are average remaining lives also a factor

1 in the formula?

2 A. Yes.

3 Q. Would it be correct that the amount of the
4 theoretical reserve will vary depending upon what
5 assumptions are made with respect to average lives
6 and average remaining lives?

7 MR. PACE: I have an objection with the use of
8 the word "assumptions."

9 If the question is would it vary based
10 on different numbers that might be inserted, that
11 is fine.

12 I'm not sure Mr. Anderson has
13 established these are assumptions and not based on
14 any observations or calculations.

15 MR. ANDERSON: I think it is a proper question.
16 I would like to have the question that I decided to
17 ask be the one that is answered.

18 JUDGE CASEY: Repeat the question.

19 BY MR. ANDERSON:

20 Q. All other things being equal, in applying
21 the formula which you cite in your footnote on
22 Exhibit 9.16, the result of that formula or the

1 amount of theoretical reserve that comes out of
2 that formula will vary depending upon what
3 assumptions are made with respect to the average
4 lives and remaining lives of the plants?

5 JUDGE CASEY: Overruled.

6 THE WITNESS: I can answer if you let me
7 clarify.

8 The average service life is not an
9 assumed number. It's a calculated number
10 from the other inputs.

11 BY MR. ANDERSON:

12 Q. Is it correct that the amount of the
13 theoretical reserve will vary depending upon what
14 assumption is made with respect to
15 remaining lives?

16 A. I would answer a qualified yes. You don't
17 actually assume a remaining life. You would depend
18 upon the actual investments that you use and the
19 projection lives and the curve shapes that you use.

20 Q. And the remaining lives will vary depending
21 upon the projection lives that you use, correct?

22 A. Yes.

1 Q. The remaining lives will vary depending on
2 what assumptions with respect to what
3 survivor curves you use?

4 A. Yes.

5 Q. So the theoretical reserve will vary
6 depending upon what assumptions are made with
7 respect to projection lives and what assumptions
8 are made with respect to survivor curves, correct?

9 A. That's correct.

10 Q. Thank you.

11 In your example on GCI
12 Exhibit 9.16, if the theoretical reserve were to
13 increase, all other things being equal, the amount
14 of the so-called reserve surplus would be reduced,
15 correct?

16 A. That is mathematically correct.

17 Q. And hypothetically, if the theoretical
18 reserve were to increase to a level which exceeds
19 the total book reserve shown in Column B, the
20 result would be a reserve deficiency, correct?

21 A. Correct.

22 Q. All other things being equal?

1 A. As a mathematical proposition, that is
2 correct. I do not believe you could reasonably
3 have remaining lives that could get you there that
4 are reasonable remaining lives.

5 Q. The book reserve shown in Column B
6 represents the actual depreciation reserve as of
7 January 1, 1999, correct?

8 A. That is correct.

9 Q. And the amount of the reserve reflects the
10 amounts of depreciation and amortization expense
11 actually added to the reserve each year over a
12 period of time; is that correct?

13 A. It is the accumulation over what would be
14 decades of time. Basically, these reserves were
15 started in the thirties or forties, and they have
16 added or subtracted ever since.

17 Q. Would you agree, all other things being
18 equal, if the company had used depreciation rates
19 which were lower than the depreciation rates which
20 it actually used to record depreciation expense on
21 an intrastate basis over the period from 1995
22 through 1999, the actual book reserve at

1 January 1, 1999 would be lower than the amount
2 shown from Column B of Exhibit 9.16?

3 A. Your question is a hypothetical.

4 If, hypothetically, the Company would
5 have booked less depreciation expense and
6 amortization expense in past years then it
7 actually booked, you would have a lower reserve.

8 Q. Thank you.

9 If the actual book reserve were lower,
10 the amount of the so-called reserve surplus shown
11 in column J would also be lower, correct, all other
12 things being equal?

13 A. That is a mathematical statement. If you
14 haven't collected in the past, you would be allowed
15 to collect it in the future. You have collected it
16 in the past.

17 Q. All other things being equal, if the
18 Company had used depreciation rates since 1995
19 calculated in accordance with the FCC remaining
20 life parameters which you used to calculate the
21 theoretical reserve, the amount of the book reserve
22 at January 1, 1995 would be lower than it was as

1 shown on that exhibit; is that correct?

2 A. That I don't know without making
3 calculations. I am calculating the depreciation
4 expense using the FCC parameters. I don't know
5 that question.

6 MR. ANDERSON: I have no further questions.

7 Thank you.

8 JUDGE CASEY: Mr. Butts.

9 CROSS EXAMINATION

10 BY

11 MR. BUTTS:

12 Q. Let me refer you to your GCI
13 Exhibit 3.31, your statement of your credentials
14 and work experience.

15 JUDGE CASEY: 8.31.

16 MR. BUTTS: I'm sorry.

17 BY MR. BUTTS:

18 Q. In that document, you identified the
19 proceeding, the regulatory proceedings that you
20 have been involved in over the years.

21 A. Correct.

22 Q. If I count correctly, it is something over

1 150, 160 times?

2 A. I will accept that count.

3 Q. Did you testify in each of those cases?

4 A. I would say with few exceptions, yes. I
5 think in some of the early Illinois cases, I am not
6 sure. The vast majority, yes, or over
7 90 percent.

8 Q. If you would, could you go through your
9 Exhibit 3.1 and identify for me which of those
10 proceedings you testified in and which you
11 presented testimony relating to directory
12 advertising revenues, the allocation of directory
13 advertising revenues or issues related to that?

14 MR. PACE: Are you talking about in all the
15 states.

16 MR. BUTTS: Yes.

17 MR. PACE: I would offer one suggestion. Unless
18 it is critical for other cross, could we produce
19 this in a late-filed exhibit?

20 THE WITNESS: I would have to go through all the
21 testimonies to properly answer that.

22 BY MR. BUTTS:

1 Q. Do you have copies of all your testimony
2 you have filed over the years?

3 A. I am not sure if I do or not.

4 Q. Do you have any recollection, as you sit
5 here today, of having testified on directory issues
6 in any of these proceedings?

7 A. I have testified in several proceedings on
8 directory. If you're going to pin me to the docket
9 --

10 Q. You don't remember which docket?

11 A. I'm trying to think of recent proceedings.
12 I'm currently working with the Staff in
13 both Arizona and New Mexico. In at least one of
14 those proceedings, I have addressed the Yellow
15 Pages, as much as I have here, as a factor to be
16 considered in setting rates. That is revenue being
17 drawn. I have done it in
18 several cases.

19 Q. You can't think of it, as you sit here, any
20 others?

21 A. I believe we have, recently, in the Arizona
22 case. I have had cases in Colorado where I am

1 fairly confident I have done that. I have had
2 cases in Utah where I think I have done that.

3 Q. I don't think we need to file it.

4 Mr. Pave said you could look at that and give a
5 more definitive response.

6 MR. PACE: That was before I learned that he
7 would have to go back and recreate this.

8 JUDGE CASEY: Mr. Butts, that could have been a
9 data request Ameritech could
10 have made.

11 BY MR. BUTTS:

12 Q. In any of those cases, did the Commission
13 orders address the directory issue?

14 A. Yes.

15 Q. So if I were to go back and look at those,
16 I would find reference to the directory issue?

17 A. Yes.

18 Q. Prior to your testimony in this case, did
19 you have any conversations or consult with any
20 independent local exchange company about directory?

21 A. As you know, I have been in and around 150
22 cases. Over the years, I have interacted with a

1 large number of companies about directories.

2 Q. In the context of preparing your testimony
3 for this case, did you talk to or obtain
4 information from any independent
5 locate exchange company?

6 MR. PACE: You're saying since Mr. Dunkel was
7 retained in this case, has he talked to someone?

8 MR. BUTTS: Yes.

9 THE WITNESS: We filed data responses with
10 information pertaining to an Alaska company.

11 I have not knocked on a door and said, I
12 am on a case, can you talk to me.

13 BY MR. BUTTS:

14 Q. Other than what you have provided already
15 in discovery, you didn't talk to
16 any independent local exchange in connection for
17 your testimony today?

18 A. No.

19 MR. BUTTS: I have no further questions.

20 JUDGE CASEY: Any other cross?

21 Redirect?

22 MR. PACE: Could I have a few minutes?

1 REDIRECT EXAMINATION

2 BY

3 MR. PACE:

4 Q. You were asked by counsel for Ameritech
5 regarding some rate cases in Illinois that you
6 participated in regarding LRSIC tests. Can you
7 respond to that question now.

8 A. Yes, I can.

9 From the documents you handed me which
10 are my testimonies, there are several citations
11 that show I was looking into costs.

12 Page 41, and this is the GTE case that I
13 participated in recently here in Illinois. This is
14 now my reply testimony from that GTE case. On Page
15 41, the question that I'm asked is, "Do the
16 complainants/CUB proposed residential EAS rates
17 cover cost." My answer is, "Yes, even using the
18 varied GTE costs and cost studies that is relying
19 on in this proceeding. The complainants/CUB
20 proposed EAS rates more than cover all costs of
21 providing services. The costs include all of GT's
22 cost and also include the access charges that GT

1 pays to other carriers for terminating EAS traffic
2 that terminates
3 to other --

4 JUDGE CASEY: Can you just direct us to the
5 cite? You do not need to read the testimony.

6 THE WITNESS: Oh, yes.

7 BY MR. PACE:

8 Q. Are there other cases?

9 A. In my supplemental testimony, on
10 Page 16, again, there is a citation to my comparing
11 my rates to certain costs. These were imputation
12 tests which include not only incremental costs but
13 also access rates as well.

14 Q. This is Docket 98-0537?

15 A. Yes.

16 Back to my reply testimony in that
17 proceeding, on Page 80, again, I testified that my
18 proposed business rates passed the imputation tests
19 and these include LRSIC plus access charges.

20 Page 82, again, of my reply testimony,
21 again, I talk about the rates I propose. I say
22 these rates cover all costs of providing the

1 service and it refer backs to the proprietary
2 document.

3 Q. Have you performed any long-run incremental
4 analyses in other states?

5 A. Yes, I regularly participate in several
6 states. I work for the staff directly.

7 MR. PACE: No further redirect.

8 JUDGE CASEY: Recross?

9 RECROSS EXAMINATION

10 BY

11 MR. ANDERSON:

12 Q. In the reply testimony that you cited, you
13 indicated -- you made a reference to cost studies
14 that GTE provided; is that correct?

15 A. That's correct.

16 Q. So the basis for your testimony there was
17 on the cost studies that GTE prepared? You
18 reviewed those studies, but your testimony referred
19 to the studies that they prepared, correct?

20 A. We reviewed them and made adjustments for
21 certain corrections.

22 Q. But you didn't perform the underlying cost

1 studies in that case? You simply looked at cost
2 studies that GT prepared and made some adjustments,
3 similar to this case, correct?

4 A. I would agree in this case, even their
5 studies were showing we were well over cost. We
6 didn't decide to argue about cost or anything else.
7 The answer is yes.

8 Q. These other states where you have dealt
9 with long-run incremental costs, do they have cost
10 of service rules identical to 83 Ill. Admin
11 Code 710?

12 A. I doubt they are word for word. Usually
13 the incremental costs principles are very similar.

14 Q. Before preparing for a hearing in this
15 case, did you compare the rules that you would have
16 dealt with in those other states to the rule in
17 Illinois?

18 A. I know the rules in the other states since
19 I work there. They are very similar.

20 MR. ANDERSON: I have no further questions.

21

22

1 EXAMINATION

2 BY

3 JUDGE MORAN:

4 Q. What are those other states that you worked
5 in?

6 A. Right now, the staff in Arizona hires me
7 regularly. The staff in New Mexico hires me. The
8 Staff in Kansas hires me. Those are the major
9 states right now.

10 JUDGE CASEY: Okay. Thank you.

11 Let's come back at 1:30.

12 (Whereupon, these proceedings
13 were continued until 1:30.)

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1 (Whereupon, GCI/City
2 Exhibit Nos. 4.0, 4.0P, 5.0
3 and 10.0 were
4 marked for identification.)

5 JUDGE CASEY: We're back on the record.

6 Mr. Pace, you have a couple witnesses to
7 get their testimony in? There's no
8 cross-examination on these witnesses?

9 MR. PACE: That's correct, Mr. Hearing Examiner.

10 JUDGE CASEY: Who will we begin with?

11 MR. PACE: We're going to begin with Roxie
12 McCullar.

13 (Witness sworn.)

14 ROXIE McCULLAR,
15 called as a witness herein, having been first duly
16 sworn, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY

19 MR. PACE:

20 Q. Please state your name for the record.

21 A. My name is Roxie McCullar, M-c-c-u-l-l-a-r.

22 Q. And, Ms. McCullar, can you please give me

1 your business address?

2 A. My business address is 8625 Farmington
3 Cemetery Road, and that's that Pleasant Plains,
4 Illinois.

5 Q. Did you file testimony in this docket?

6 A. Yes, I did.

7 Q. Let me hand you a document.

8 Do you recognize that document?

9 A. Yes, I do.

10 Q. And what is it?

11 A. That is my direct testimony and schedules.

12 Q. That's identified as GCI and City Exhibit
13 4.0?

14 A. That's correct.

15 Q. And attached to that exhibit is an Appendix
16 A and GCI and City Exhibits 4.1 through 4.3?

17 A. That's correct.

18 Q. And if I asked you those questions today,
19 would your answers essentially be the same?

20 A. Yes, they would.

21 Q. And do you have -- did you also have
22 occasion to file a proprietary -- and, Ms.

1 McCullar, did you also happen to file direct
2 testimony in this case that's proprietary?

3 A. Yes, it was only these schedules that were
4 proprietary.

5 Q. That's schedules 4.1 through 4.3?

6 A. That's correct.

7 Q. And if I asked you those questions on those
8 proprietary schedules, would your answers
9 essentially be the same?

10 A. Yes, they would.

11 Q. Do you have any changes or additions to
12 your testimony?

13 A. No, I do not.

14 MR. PACE: At this time I would move the
15 admission of GCI and City Exhibit 4.0, 4.1 through
16 4.3, and 4.1 through 4.3P.

17 JUDGE MORAN: Are there any objections? Hearing
18 none --

19 JUDGE CASEY: Hold on. Mr. Pace, the
20 proprietary version was marked 4.0P.

21 MR. PACE: Say that again, sorry.

22 JUDGE CASEY: 4.0P is what the proprietary

1 version was that the examiners received. So 4.0
2 for the public version, 4.0P for the proprietary
3 version.

4 MR. PACE: Correct.

5 MR. PACE: I'd like to move for the admission of
6 those exhibits.

7 JUDGE MORAN: Hearing no objection, they will be
8 admitted as identified by Mr. Pace.

9 (Whereupon, GCI/City
10 Exhibit Nos. 4.0 and 4.0P were
11 admitted into evidence.)

12 MR. PACE: Thank you.

13 JUDGE CASEY: It was our understanding there was
14 no cross-examination for this witness? Okay.

15 JUDGE MORAN: You're excused. Thank you very
16 much.

17 MR. PACE: We have another witness, Mr. Tom
18 Regan.

19

20

21

22

1 (Witness sworn.)

2 THOMAS REGAN,

3 called as a witness herein, having been first duly
4 sworn, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY

7 MR. PACE:

8 Q. Please state your name for the record.

9 A. My name is Thomas Regan, R-e-g-a-n.

10 Q. And what is your business address?

11 A. My business address is 8625 Farmington
12 Cemetery Road in Pleasant Plains, Illinois 62677.

13 Q. Mr. Regan, did you file testimony in this
14 proceeding?

15 A. Yes, I did.

16 Q. I'm going to hand you a document that's
17 labeled GCI and City Exhibit 5.0.

18 Do you recognize that document as your
19 testimony?

20 A. Yes, I do.

21 Q. That's your direct testimony?

22 A. It is my direct testimony.

1 Q. And attached to that is GCI and City
2 Exhibit 5.1; is that correct?
3 A. That is correct.
4 Q. If I asked you these questions today in GCI
5 and City Exhibit 5.0 and 5.1, would they be
6 essentially the same?
7 A. Yes, they would.
8 Q. And do you have any additions or
9 corrections to that testimony?
10 A. No, I do not.
11 Q. And that's only a public -- that's a public
12 version of your testimony, correct?
13 A. That's correct.
14 Q. You don't have a proprietary version of
15 your direct testimony?
16 A. That is correct.
17 Q. Mr. Regan, I'm also providing you a
18 document entitled GCI and City Exhibit 10.0.
19 Do you recognize that document?
20 A. I do.
21 Q. Is that your rebuttal testimony?
22 A. Yes, it is.

1 Q. If I asked you the questions in your
2 rebuttal testimony today, would your answers
3 essentially be the same?

4 A. Yes, they would.

5 Q. Do you have any additions or changes to
6 your testimony?

7 A. No, I don't.

8 MR. PACE: At this time I would like to move for
9 the admission --

10 Q. Before I do that, your rebuttal testimony
11 is a public version of your testimony?

12 A. That is correct.

13 Q. And you don't have any proprietary version
14 of that rebuttal testimony?

15 A. Correct.

16 MR. PACE: At this time I would like to move the
17 admission of GCI and City Exhibits 5.0, 5.1, and
18 10.0.

19 JUDGE MORAN: Are there any objections? Hearing
20 no objections, GCI City exhibits as identified by
21 Mr. Pace are admitted.

22 And we understand there is no

1 cross-examination, so thank you for coming in and
2 you're excused.

3 (Whereupon, GCI/City
4 Exhibit Nos. 5.0 and 10.0 were
5 admitted into evidence.)

6 THE WITNESS: Thank you very much.

7 MR. PACE: Thank you, your Honor.

8 JUDGE CASEY: We're off the record.

9 (Discussion off the record.)

10 (Whereupon, Staff
11 Exhibit Nos. 4.0, 8.0, 18.0
12 18.0P, 22.0, 22.0P,
13 and 29.0 were
14 marked for identification.)

15 (Whereupon, GCI/City Cross
16 Marshall Exhibit No. 33 was
17 marked for identification.)

18 JUDGE CASEY: Back on the record. Who will be
19 doing the direct?

20 MR. NIXON: I will.

21

22

1 (Witness sworn.)

2 JUDITH MARSHALL,

3 called as a witness herein, having been first duly
4 sworn, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY

7 MR. NIXON:

8 Q. Good afternoon.

9 Ms. Marshall, will you state your full
10 name for the record, please.

11 A. Yes, my name is Judith R. Marshall.

12 Q. And have you prepared several pieces of
13 testimony that have been distributed in this
14 proceeding?

15 A. Yes, I have.

16 Q. Do you have in front of you what has been
17 marked as Staff Exhibit 4.0 marked as the direct
18 testimony of Judith R. Marshall?

19 A. Yes, I do.

20 Q. Was that prepared by you?

21 A. Yes, it was.

22 Q. Do you have any changes or corrections to

1 make to Exhibit 4.0?

2 A. No, I do not.

3 Q. Attached to that are several attachments.

4 Do you have any changes or corrections

5 to make to the attachments?

6 A. No.

7 Q. Did you also prepare rebuttal testimony for
8 this docket?

9 A. Yes, I did.

10 Q. Do you have before you what's been
11 identified as Staff Exhibit 18.0?

12 A. Yes, I do.

13 Q. There are two versions of your rebuttal
14 testimony, is that correct, a redacted and a
15 proprietary version?

16 A. That is correct.

17 Q. Do you have any changes, corrections, or
18 additions to make to either version of your
19 rebuttal testimony?

20 A. No, I do not.

21 Q. Did you also prepare Staff Exhibit 29.0,
22 which is the surrebuttal testimony of Judith R.

1 Marshall?

2 A. Yes, I did.

3 Q. That also has a schedule 29.1 attached to
4 it?

5 A. Yes, it does.

6 Q. Do you have any changes, corrections, or
7 additions to make to Staff Exhibit 29.0 at this
8 time?

9 A. No, I do not.

10 Q. If you were asked all the questions in each
11 one of these documents today, would your answers be
12 the same?

13 A. Yes, they would.

14 MR. NIXON: I would ask for the admission of
15 Staff Exhibit 4.0, 18.0, both the proprietary and
16 redacted versions, and 29.0, the surrebuttal
17 testimony of Judith Marshall, and offer
18 Ms. Marshall for cross-examination.

19 JUDGE MORAN: Is there any objection to the
20 admission of this testimony? Hearing no objection,
21 Staff Exhibit 4.0, 18.0, 18.0P, that being the
22 proprietary version, and 29.0 are admitted.

1 (Whereupon, Staff
2 Exhibit Nos. 4.0, 18.0, 18.0P,
3 and 29.0 were
4 admitted into evidence.)

5 JUDGE MORAN: And who wishes to open
6 cross-examination?

7 CROSS EXAMINATION

8 BY

9 MR. PACE:

10 Q. Afternoon, Ms. Marshall. My name is Jack
11 Pace. I represent the City of Chicago.

12 In your testimony it's correct that you
13 addressed the issue of amortization?

14 A. Yes, it is.

15 Q. And regarding this issue of amortization,
16 is it correct that GCI sent staff two data requests
17 that were addressed to you and Mr. Green?

18 A. Yes, that's correct.

19 Q. And I just distributed to you and the
20 hearing examiners what I have identified as GCI
21 City Marshall Cross Exhibit 33.

22 Do you have that in front of you?

1 A. Yes, I do.

2 Q. And do you recognize this document?

3 A. Yes.

4 Q. Did you assist in drafting the responses to
5 this data request?

6 A. Yes, I conferred with Mr. Green as to what
7 responses would be provided.

8 Q. I want to direct your attention to GCI City
9 Marshall Cross Exhibit 33, the third page, which is
10 subpart C.

11 Now that question and answer on that
12 page, would it be fair to say that that question
13 and answer essentially says that staff would be
14 willing to adjust Ameritech Illinois' expenses of
15 11.2 million related to the analog circuit
16 equipment if Ameritech intended 11.2 million to be
17 a five-year amortization which commenced on 1/1/95?

18 MR. ANDERSON: Mr. Hearing Examiner,
19 Madam Hearing Examiner, at this time I'm going to
20 object to this line of questioning. This is what's
21 known as friendly cross. It's an attempt to elicit
22 additional direct testimony from the staff witness

1 who did not testify on this particular issue
2 through the guise of cross-examination. It is not
3 proper cross-examination on Ms. Marshall's
4 testimony.

5 JUDGE CASEY: Mr. Pace, what is it you're
6 attempting to impeach or go at as far as --

7 JUDGE MORAN: What's your objective?

8 JUDGE CASEY: -- Ms. Marshall's testimony? Is
9 there something that you find objectionable to her
10 testimony?

11 MR. PACE: I believe that Ms. Marshall and other
12 members of staff have taken the position that the
13 11.2 million amortization should not be adjusted.
14 And in discovery we submitted a discovery request
15 that elicited a response that they would possibly
16 change their testimony, perhaps, depending on
17 certain conditions.

18 JUDGE CASEY: The proper line of questioning
19 should first be what the staff's position is and if
20 it's changed or it's different from how she
21 responds. I think then we have a proper use of the
22 document. As it stands right now, I would sustain

1 the objection.

2 MR. PACE: I can certainly ask that foundation
3 question.

4 JUDGE CASEY: I think we need to have some
5 foundation.

6 MR. PACE: Q Ms. Marshall, is it your position
7 that the 11.2 million amortization for analog
8 circuit equipment at this time should not be
9 adjusted?

10 MR. ANDERSON: Again, I'm going to object.
11 Ms. Marshall in her testimony did not address the
12 issue of the \$11.2 million amortization.

13 This is an attempt to elicit additional
14 direct testimony from staff. We would be in a
15 position to have no opportunity to respond to this
16 additional testimony. It is not proper
17 cross-examination.

18 MR. PACE: I believe Ms. Marshall's testimony on
19 her direct, Page 19, she talks about adjustments to
20 the depreciation reserve deficiency. And she says,
21 No adjustment related to a depreciation reserve
22 deficiency should be allowed in setting future

1 rates. And I think this issue with respect to the
2 analog circuit equipment goes to that issue. It is
3 an amortization.

4 MR. ANDERSON: My objection --

5 JUDGE CASEY: Hold on one second. What was the
6 cite?

7 MR. PACE: Ms. Marshall's direct, Page 19.

8 MR. HARVEY: Would it be possible to get some
9 line cites?

10 MR. PACE: I have line 423.

11 MR. HARVEY: Those are recitals of the --

12 MR. PACE: Let me get a copy.

13 Well, again, I think that this is
14 appropriate cross. Ms. Marshall has testified with
15 respect to appropriate amortization.

16 JUDGE CASEY: Where at?

17 MR. PACE: Again, Page 19.

18 JUDGE CASEY: Line?

19 MR. PACE: The discussion at the top of
20 Page 19, 421 to 431.

21 MR. ANDERSON: I would note that it's clear from
22 this discussion that Ms. Marshall was presenting

1 testimony in support of her view regarding the
2 appropriate treatment of the FAS 71 write down.
3 She was not testifying regarding the \$11.2 million
4 amortization.

5 It's clear that what GCI is attempting
6 to do is to try to elicit some testimony supporting
7 a position that GCI took which -- through the guise
8 of cross-examination when Ms. Marshall did not
9 address this issue.

10 I assume that if staff wanted to address
11 this issue, they would have in their testimony.
12 Then we would have had an opportunity to review it
13 and perhaps respond to it. We have no opportunity
14 at this time.

15 JUDGE MORAN: Mr. Pace, when was this data
16 request sent, and when was the response sent?

17 MR. PACE: I don't have the exact date. Within
18 the last month.

19 JUDGE MORAN: Does staff know?

20 MR. HARVEY: I'm afraid we don't. It certainly
21 appears to be sent within the last month, but I
22 would be hard-pressed to swear to that. I mean, it

1 appears likely that it was after the testimony was
2 filed, so I would expect --

3 JUDGE CASEY: Well, I'm not so sure that this
4 data -- response to the data request is different
5 from what's already in the testimony. I'm looking
6 at line 429. It seems to draw the same conclusion,
7 does it not?

8 MR. PACE: Yeah. I mean, the purpose of the
9 cross is to clarify the language that -- the
10 testimony that Ms. Marshall proffered on Page 19
11 that that -- her recommendation that no adjustment
12 related to a depreciation reserve deficiency
13 applies to this one account.

14 JUDGE CASEY: Ask her that question.

15 MR. PACE: Q Ms. Marshall, on Page 19 of your
16 direct testimony, lines 429 to 431, do you see
17 that.

18 A. Yes, I do.

19 Q. Is it your testimony there, does that apply
20 to the analog circuit equipment account?

21 A. Yes, it does.

22 Q. So then it's your testimony that the --

1 that would include the 11.2 million of analog
2 circuit equipment amortization?

3 MR. HARVEY: I'll have to object to that.
4 That's a fact not in evidence. The size of the
5 account is not anywhere in evidence that I know of.

6 MR. ANDERSON: I'm also, for the record, going
7 to object. It's clear when you look at all the
8 testimony there's an issue with respect to a FAS 71
9 amortization, which is one amount.

10 There's also an issue that's been raised
11 by GCI regarding an amortization of 11.2 million
12 for analog circuit equipment.

13 Ms. Marshall, in this testimony -- the
14 question that this testimony responds to is, Please
15 discuss Ameritech Illinois' proposed FAS 71
16 adjustment.

17 Again, I believe it's improper, an
18 attempt to elicit improper direct testimony on a
19 different adjustment than the one that Ms. Marshall
20 was addressing in this testimony.

21 JUDGE MORAN: Want to try a different question,
22 Mr. Pace?

1 MR. PACE: I'm sorry?

2 JUDGE MORAN: Do you want to try a different
3 question?

4 MR. PACE: Q Ms. Marshall, are you aware of the
5 fact that Ameritech is claiming an \$11.2 million
6 amortization expense for analog circuit equipment?

7 MR. ANDERSON: I'm going to object again.
8 Ms. Marshall is not testifying about that or
9 depreciation generally. She's testifying about
10 FAS -- again, it's clear GCI is attempting to
11 elicit additional direct testimony rather than to
12 do proper cross-examination.

13 MR. PACE: I asked her if she was aware of it.
14 The testimony on Page 19 is not related
15 specifically to FAS 71. It's related to
16 amortization generally.

17 JUDGE CASEY: It's in response to a question on
18 Page 18 that specifically references FAS 71.

19 MR. PACE: True, but their last sentence
20 starting on line 429 says, No adjustment related to
21 a depreciation reserve deficiency --

22 JUDGE CASEY: We're spinning our wheels here.

1 The objection is sustained.

2 MR. PACE: No further questions.

3 JUDGE MORAN: Someone else has cross for
4 Ms. Marshall? Ms. Lusson.

5 CROSS EXAMINATION

6 BY

7 MS. LUSSON:

8 Q. Good afternoon, Ms. Marshall.

9 A. Good afternoon.

10 Q. If you could turn to Page 8 of your
11 rebuttal exhibit, line 177, you indicate there that
12 current SBC projections indicate that the going
13 level merger related costs and savings will not be
14 reached until 2004. And then in the next sentence
15 you refer to the going level, that approximately 96
16 percent of the going level will have been reached
17 at the end of 2002.

18 Can you define what you mean by going
19 level as used in that sentence?

20 A. Yes. This is a term that's been used by
21 the company, but it's the point in time in the
22 expense and savings level that will be reached as a

1 result of the merger as projected by the company,
2 and then that amount would presumably remain in
3 effect into the future.

4 Q. So by going level, do you mean that point
5 in time where the maximum amount of savings, net
6 savings is achieved?

7 A. Net savings related to the merger, yes.

8 Q. Okay. When you refer to current SBC
9 projections, is that testimony from this docket, or
10 is that related to the BWG audit?

11 MR. NIXON: You're referring to line 177?

12 MS. LUSSON: Yes.

13 THE WITNESS: Could you repeat the question.

14 MS. LUSSON: Q Sure.

15 When you indicate that the current SBC
16 projections indicate that the going level merger
17 related costs and savings won't be achieved until
18 2004, is that related to specific testimony in that
19 docket, or is that based on the BW and G audit
20 conclusions.

21 A. Well, that is my specific testimony in this
22 docket and also as indicated by the side, it is

1 based on final report of the BWG auditors.

2 Q. Okay. When you state that 96 percent of
3 the going level will have been reached at the end
4 of 2002 if implementation of best practices
5 identified by SBC's merger integration teams is
6 achieved on schedule, do you know if these best
7 practices are on schedule, or that is achievement
8 of the best practices?

9 A. The best of my knowledge -- and that
10 knowledge is somewhat dated as to July, year 2000
11 -- I believe that there were certain management
12 integration teams savings that were not taking
13 place as quickly as originally scheduled.

14 Q. Finally, referring to your direct
15 testimony, you state you recommend the terms of the
16 merger condition remain in effect -- I'm sorry,
17 Page 10, the top of the page.

18 You say you recommend that the terms of
19 the merger condition remain in effect until the
20 Commission completes its next review of the alt-reg
21 plan.

22 By terms of the merger condition, are

1 you referring to the annual true up and flow
2 through of net merger savings in the annual
3 filings?

4 A. Yes, I am. I think I'm also referring in
5 that testimony to audited audits of that
6 information.

7 MS. LUSSON: Thank you, Ms. Marshall.

8 I have no further cross, but I do have a
9 motion to make directed, actually, at the company,
10 and that is that the information related to the
11 current estimate of net merger related costs and
12 savings identified at Page 10 of Ms. Marshall's
13 rebuttal testimony and then the percentage increase
14 listed at Page 11 be made public.

15 During the merger proceeding, the
16 quantification of net merger savings, estimates of
17 net merger savings by all parties were, as I
18 recall, public information, and there was no
19 representation made by the company that those
20 figures were proprietary in any way. And I fail to
21 see what sort of competitive information or
22 proprietary information would be released if these

1 numbers were made public.

2 JUDGE CASEY: When was Ms. Marshall's testimony
3 prepared?

4 MR. HARVEY: November 2nd or 3rd.

5 JUDGE CASEY: Motion is denied. You've been
6 sitting on this for three months, four months. You
7 could have made a written motion --

8 MR. NIXON: This looks like January 11th is when
9 this was submitted.

10 JUDGE CASEY: I'm not -- the examiners are not
11 prepared to rule on that motion. If you want to do
12 it in --

13 MS. LUSSON: I guess in my experience the
14 questions as to whether or not items have been --
15 are appropriately marked proprietary usually are
16 handled in the course of the hearings and the
17 burden is on the company to show that these numbers
18 are proprietary.

19 The assumption is that that information
20 is public unless the company demonstrates that the
21 release of the information will reveal proprietary
22 information, and I don't think any such showing has

1 been demonstrated by the company.

2 JUDGE MORAN: I think that when you're aware of
3 proprietary information you could make an
4 appropriate motion. You don't have to wait for a
5 hearing. That is, in fact, an awkward time to do
6 it. And it should be in writing and allow the
7 parties both notice and opportunity to respond. So
8 when you prepare something in writing, then we'll
9 rule.

10 JUDGE CASEY: Any other cross for Ms. Marshall?

11 CROSS EXAMINATION

12 BY

13 MR. GOLDENBERG:

14 Q. Good afternoon.

15 A. Good afternoon.

16 Q. I'm Allan Goldenberg from the Cook County
17 State's Attorney's office.

18 How are you doing?

19 A. Fine.

20 Q. I just wanted to ask you just a couple very
21 brief questions on savings.

22 You talked in your testimony in Exhibit

1 4.0 starting at around Page 8 and in Exhibit 18.0
2 starting also around Page 8 with merger savings.

3 If you want to maybe flip to those two
4 pages, I could just ask a couple questions.

5 A. I have those.

6 Q. Now, when you developed your position on
7 merger savings, did you develop that position from
8 scratch, or did you model it on the Commission's
9 order in 98-0555?

10 A. My position is based on the Commission's
11 order in 98-0555.

12 Q. So had somebody given you the assignment of
13 developing an appropriate approach to savings, it
14 wouldn't necessarily be what you presented in your
15 testimony if that order itself didn't exist, would
16 it?

17 A. No, it would not necessarily be the same.

18 Q. In fact, you testified in the merger case,
19 didn't you?

20 A. Yes, I did.

21 Q. And you presented a staff approach to
22 savings in that docket, correct?

1 A. That's correct.

2 Q. Then the Commission ultimately adopted what
3 was in the order; is that correct?

4 A. That's correct.

5 Q. Now, there were other approaches in that
6 docket, weren't there?

7 A. Yes, there were.

8 Q. The company presented a number?

9 A. They did.

10 Q. Are you familiar with that number?

11 A. I have a general recollection of that
12 number, yes.

13 Q. Now, based on the best of your knowledge,
14 is the current information you have through the
15 audit a higher number or a lower number in terms of
16 savings realized?

17 A. The total of the merger integration planned
18 savings is higher than what was considered in the
19 merger case.

20 Q. Now, your approach right now is based on
21 flowing through actual savings, isn't it?

22 A. Yes, it is.

1 Q. Now, you also talk about presenting an
2 estimated savings number, don't you, as an
3 alternative?

4 A. Yes, that is an alternative the Commission
5 could consider.

6 Q. And what is this estimate based on that you
7 present in this case? I'm looking for the page.
8 If you don't need the page reference, you can feel
9 free to just answer.

10 A. Yes, the estimate --

11 Q. It's found on Page 10 of Staff Exhibit 18
12 starting around line 216, the answer.

13 A. Yes, that estimate is based on the total of
14 the merger integration team reports as summarized
15 in the final report of BWG.

16 Q. When you say merger integration team, who
17 does that mean?

18 A. Those are teams of employees established by
19 SBC to implement the merger savings.

20 Q. So that particular number would be
21 primarily relying on the company's information?

22 A. Yes.

1 Q. Staff's not independently tracking merger
2 savings, are they?

3 A. I'm sorry, staff has tried --

4 Q. Commission staff's not independently
5 tracking merger savings, are they? You're
6 reviewing the company's information and assuming
7 that they're tracking it accurately?

8 A. No, that wouldn't be correct. Acting as
9 project manager, staff is monitoring indirectly the
10 work of auditors who are auditing the actual
11 savings.

12 Q. But the inputs are the company's inputs and
13 the initial characterizations are the company's,
14 aren't they?

15 A. The initial characterizations are the
16 company's, but those are subject to proposed
17 adjustment and correction.

18 Q. Is there a contested case in which merger
19 savings is currently under review other than this
20 case?

21 A. Yes, there is. I assume that will be a
22 contested case. It's been docketed as 01-0128.

1 Q. When was that docketed?

2 A. I believe it was February 6.

3 Q. Does that have a hearing date or a status
4 date?

5 A. Yes, there will be a hearing on Tuesday of
6 next week.

7 MR. ANDERSON: Check the E docket for further
8 information.

9 MR. GOLDENBERG: Q Now, you discuss some of the
10 advantages of using sort of the estimate approach
11 in your testimony.

12 In getting back to the actual merger
13 case itself, are you familiar with Dr. Selwyn's
14 approach.

15 A. I have a basic understanding of his
16 approach, yes.

17 Q. His approach is also based on an estimate
18 and a model that he developed, wasn't it?

19 A. Yes.

20 Q. Is it my understanding that under certain
21 circumstances you feel that a model using an
22 estimate would be appropriate in this case should

1 the Commission decide --

2 MR. HARVEY: Can we have some clarification on
3 that? I think that --

4 MR. GOLDENBERG: I would just state on Staff
5 Exhibit 4.0 starting on line 205 she -- in her
6 opinion, the witness raises concerns about
7 Ms. Larkin's recommendation not being sufficient to
8 capture all merger related costs and savings. I'm
9 just trying to sort of probe one of the
10 alternatives that she presented.

11 MR. HARVEY: I think what has to be kept in mind
12 here is it is an alternative that she presented.
13 It is not her --

14 JUDGE CASEY: When you say she, who presented?

15 MR. HARVEY: Ms. Marshall.

16 JUDGE MORAN: Are you probing the alternative or
17 the initial recommendation?

18 MR. GOLDENBERG: I'm just probing the adequacy
19 of the alternative that she presented so that it
20 can be considered by the Commission and the
21 examiners, and I think I'm entitled to just --

22 JUDGE CASEY: We're not saying you're not.

1 MR. HARVEY: Is there a question pending?

2 MR. GOLDENBERG: There was. Do you want me to
3 ask another? Do you want to try --

4 MR. HARVEY: Why don't you ask another question.

5 JUDGE CASEY: Hold on one second. Go ahead and
6 ask your original question. You don't have to ask
7 another question.

8 MR. GOLDENBERG: I'll try again.

9 Q. In terms of an approach based on estimates
10 of savings, in your opinion would that be
11 appropriate as an alternative in this docket, yes
12 or no?

13 A. Yes, I think that could be an appropriate
14 alternative.

15 Q. And it has lots of advantages, doesn't it,
16 and you outline some of them in your testimony?

17 A. There could be advantages, yes, and I did
18 mention some in my testimony.

19 Q. When did the merger take place?

20 A. The best of my recollection, it was October
21 8, 1999.

22 Q. And currently we're in what year?

1 A. 2001.

2 Q. And at what point is staff suggesting in
3 terms of month and year that savings be addressed
4 next?

5 A. Savings were being addressed in the docket
6 we just discussed. It's my understanding that the
7 docket is likely to be completed by July 1st of
8 this year.

9 Q. But in your testimony -- and I'm again
10 looking for the reference -- you talk about
11 revisiting savings in a future review of the
12 alt-reg case, don't you?

13 A. Yes, my --

14 Q. You want to tell us in what context you
15 envision that occurring?

16 A. It was my understanding that staff witness
17 Koch is recommending the entire alt-reg formula be
18 reviewed in approximately five years, and
19 consistent with that, the Commission could make its
20 determination on the permanent treatment of merger
21 costs and savings at that time.

22 Q. Okay. And then turning to Page 10 of

1 Exhibit 4.0, you recommend that the merger
2 conditions remain in effect until the Commission
3 completes the next review of the plan, don't you?

4 A. Yes, that would be the merger condition
5 related to merger costs and savings.

6 Q. So now that recommendation, just so I'm
7 clear, does not contemplate this new docket that's
8 just opened, is that correct, or does it?

9 A. Yes, it does. I think the new docket
10 that's just opened is for evaluation of specific
11 areas that the Commission directed be addressed,
12 and I think that the Commission will need to do
13 something in this docket because of the language in
14 Docket 98-0555 --

15 Q. Now, on Page 10 of Exhibit 4.0 --

16 MR. NIXON: Can we allow the witness to answer?

17 MR. PACE: I thought she was done, I'm sorry.

18 THE WITNESS: I think that language indicates
19 that this merger cost and savings condition will
20 expire at the end of the current case, being
21 98-0252, unless the Commission directs how it will
22 be treated in the future. That's my understanding

1 of the Commission's order in the merger docket.

2 MR. GOLDENBERG: Q That's just your opinion;
3 you're not a lawyer, right.

4 A. That's right.

5 Q. You talk about potentially coming back July
6 1st of the fifth year, is that correct, on
7 Page 10 of Exhibit 4.0?

8 A. No. I believe that the plan would be
9 reviewed beginning in the fourth year to be
10 completed by the fifth year.

11 Q. I'm sorry, so four years later.

12 So what year would that be?

13 A. Assuming that the order comes out in 2001,
14 four years later would be 2005.

15 Q. Okay. And how many years after the merger
16 is that?

17 A. Well, that is five complete years plus a
18 few months.

19 Q. And how would rate payers be protected in
20 the interim in terms of seeing any kind of savings
21 showing up on their phone bills?

22 A. The provision for savings to pass through

1 is included in the Commission's order, and that
2 provision allows savings to pass through the annual
3 price cap adjustments.

4 Q. Aren't you concerned that rate payers
5 aren't necessarily going to see the appropriate
6 share of savings unless we aggressively look at a
7 new model like your alternative?

8 MR. NIXON: Could counsel define what he means
9 by an appropriate share of savings?

10 MR. GOLDENBERG: I'll leave that to the witness'
11 judgment. She can qualify her answer anyway she'd
12 like.

13 THE WITNESS: I'm sorry, could you repeat the
14 question, please.

15 MR. GOLDENBERG: Q Aren't you concerned with
16 rate payers ultimately seeing an appropriate share
17 of savings if we don't seek out models similar to
18 your alternative model based on estimates.

19 A. No, I'm not concerned about that. I
20 believe that the audited actual data will be
21 reliable. I simply suggested that the Commission
22 may want to consider an alternative to that

1 position.

2 Q. But the projections up until now haven't
3 been accurate, have they, in terms of the company's
4 projections between the number they projected in
5 the merger with the actuals?

6 MR. ANDERSON: I'm going to object on the
7 grounds that -- well, I'm sorry. Maybe I don't
8 have a right to object, but I'll go ahead since I
9 started.

10 There have been no -- Ms. Marshall
11 testified that her primary proposal is to track
12 actual savings, so I'm not sure what the relevance
13 is. And I don't know that there's been any
14 foundation laid regarding lack of accuracy, but
15 even if it has, I don't understand the relevance to
16 Ms. Marshall's proposal in her testimony since she
17 just got done testifying that her proposal is to
18 track actual costs and savings.

19 JUDGE MORAN: But counsel certainly can explore
20 the alternative.

21 THE WITNESS: What was the question? I'm sorry.

22 MR. GOLDENBERG: Can we read that one back.

1 (Record read as requested.)

2 JUDGE MORAN: The only thing I would caution is
3 this line seems to be more argumentative than just
4 trying to elicit information, and maybe that's a
5 fine line so maybe you want to be a little careful
6 with that.

7 THE WITNESS: The only actual data that I've
8 seen is for a brief period in 1999, and I would
9 have to say that in general the company reported
10 for that period costs in excess of savings, they
11 projected in the merger case costs in excess of
12 savings, and so I'm not in a position to judge what
13 actual data is as predicted or not beyond 1999.

14 MR. GOLDENBERG: Q What if we turn to
15 estimates.

16 A. If we turn to estimates, it's my opinion
17 that the current merger integration savings targets
18 are higher than originally predicted. Those are
19 both estimates that -- they're not based on actual
20 data.

21 MR. GOLDENBERG: I have no other questions.

22 JUDGE CASEY: Any other cross? Ms. Satter.

1 CROSS EXAMINATION

2 BY

3 MS. SATTER:

4 Q. Ms. Marshall, would you agree that the 1999
5 test year data that's been reviewed in this case
6 does not reflect merger savings?

7 A. I believe the company originally included
8 data related to merger costs and savings. It's my
9 understanding of staff's revenue requirement
10 analysis that no merger costs and savings are
11 reflected in staff's case.

12 Q. Do you know whether the productivity
13 analysis, which I believe is based on 1999 data,
14 would reflect any merger savings?

15 A. That would be beyond the scope of my
16 testimony. Mr. Ransik (phonetic) would be better
17 able to answer that.

18 MS. SATTER: Okay. Thank you.

19 MR. ANDERSON: I do have a couple questions.

20

21

22

1 CROSS EXAMINATION

2 BY

3 MR. ANDERSON:

4 Q. Ms. Marshall, to the extent that costs
5 incurred in 1999 and recorded on the books of
6 Ameritech Illinois were lower as a direct result of
7 the merger, would you agree that those savings
8 would be reflected in the 1999 data recorded on the
9 books of the company?

10 A. Yes, as a hypothetical question I agree
11 with that.

12 Q. Do you know whether staff or any other
13 party proposed an adjustment to remove the effect
14 of merger savings from 1999 operating income
15 statement data in this case?

16 A. I'm not aware of anything like that.

17 Q. And the adjustment you were referring to
18 was an adjustment that the company had originally
19 made to attribute a portion of merger costs
20 incurred in the year 2000 to the 1999 expenses,
21 correct?

22 A. That's my understanding. I'm not a person

1 who did that analysis.

2 Q. In response to testimony from GCI and
3 staff, the company removed that adjustment,
4 correct?

5 A. That's my understanding also.

6 MR. ANDERSON: I have no further questions.

7 JUDGE MORAN: Is there any redirect of the
8 witness?

9 JUDGE CASEY: We're off the record.

10 (Discussion off the record.)

11 JUDGE CASEY: No redirect. Thank you.

12 JUDGE MORAN: Thank you, Ms. Marshall, for
13 coming in. You're excused.

14 (Whereupon, McClerren Cross

15 Exhibit Nos. 34, 35, 36, 37 were

16 marked for identification.)

17 JUDGE CASEY: Mr. McClerren.

18 (Witness sworn.)

19 SAMUEL McCLERREN,

20 called as a witness herein, having been first duly

21 sworn, was examined and testified as follows:

22

1 DIRECT EXAMINATION

2 BY

3 MR. NIXON:

4 Q. Mr. McClerren, would you state your name
5 for the record, please.

6 A. Samuel S. McClerren.

7 Q. And by whom are you employed?

8 A. The Illinois Commerce Commission.

9 Q. In what capacity do you work at the
10 Commission?

11 A. I work in the engineering department of the
12 telecommunications division.

13 Q. In that capacity, did you prepare several
14 pieces of testimony for admission into this docket?

15 A. Yes.

16 Q. If you look, please, at what's been
17 identified as Staff Exhibit 8.0, the direct
18 testimony of Samuel S. McClerren, is that your
19 direct testimony?

20 A. It is.

21 Q. And was it prepared by you?

22 A. Yes.

1 Q. Do you have any changes, corrections, or
2 additions to make to that testimony at this time?

3 A. No.

4 Q. And attached to that are, I guess ,
5 attachments 8.01 through 8.06.

6 Are there any changes or corrections to
7 be made to any of those at this time?

8 A. No.

9 Q. If you were asked the questions therein
10 today, would your answers be the same?

11 A. My answers would be the same, yes.

12 Q. Did you also prepare Staff Exhibit 22.0,
13 the rebuttal testimony of Samuel S. McClerren?

14 A. I did.

15 Q. Are there two versions of that testimony?

16 A. Yes.

17 Q. A proprietary version and the public or
18 nonproprietary version?

19 A. Yes.

20 Q. Do you have any changes, corrections, or
21 additions to be made to either the proprietary or
22 the nonproprietary version of your rebuttal

1 testimony?

2 A. I have no changes.

3 Q. If you were asked the questions therein,
4 would your answers be the same today?

5 A. My answers would be the same.

6 MR. NIXON: At this time I move for the
7 admission of Staff Exhibit 8.0, Staff Exhibit 22.0,
8 and Staff Exhibit 22.0P, and tender Mr. McClerren
9 for cross-examination.

10 JUDGE MORAN: Any objections to the admission of
11 these exhibits?

12 Hearing none, Exhibit 8.0, 22.0, and
13 22.0P are admitted.

14 (Whereupon, Staff
15 Exhibit Nos. 8.0, 22.0
16 and 22.0P were
17 admitted into evidence.)

18 JUDGE MORAN: And who wishes to start
19 cross-examination?

20 Please proceed.

21

22

1 CROSS EXAMINATION

2 BY

3 MR. KERBER:

4 Q. Mr. McClerren, I just have a few questions
5 for you regarding the definition of service
6 installation, and I will be specifically asking
7 these questions in the context of Staff
8 Exhibit 8.0, your direct testimony, the questions
9 and answers beginning on Page 8, line 175 and
10 continuing through Page 9, line 207.

11 So if you just take a look at that and
12 let me know when you're there?

13 A. Yes, I am familiar with that.

14 Q. Am I correct in understanding this
15 testimony, Mr. McClerren, as stating that your
16 understanding of the proper meaning of service
17 installation is based, at least in part, on the
18 second amending order in Docket 55472 which was
19 effective, according to your testimony, on
20 November 20th, 1974?

21 A. That is the basis for it, yes.

22 Q. And it's your position that that rule

1 clearly does not contemplate vertical services
2 because those did not become products until the
3 early 1990s, well after the 1974 date of the second
4 amending order; is that correct?

5 A. That is correct.

6 Q. Now, what about touchdown service,
7 Mr. McClerren; that was around since about the
8 mid '60s, was it not?

9 A. As broad usage, I really don't know.

10 Q. Let me ask you this: During the
11 cross-examination of Mr. O'Brien, he testified to a
12 date for touchdown service sometime in the '60s,
13 and at least you're not in a position to disagree
14 with that date as you sit here today; is that
15 correct?

16 A. I would submit that my understanding of the
17 term vertical services has to do with call waiting,
18 caller ID, other services that started in the early
19 '90s time frame.

20 Q. Would that include call forwarding?

21 A. Yes.

22 Q. Call waiting?

1 A. Yes.

2 Q. Three-way calling?

3 A. Yes.

4 Q. Speed calling?

5 A. Yes.

6 Q. Mr. McClerren, I'm going to hand you an

7 exhibit that I have had marked McClerren Cross

8 Exhibit No. 34. Let me know when you have had --

9 let me have one of those back. I'm sorry.

10 Would you let me know when you have had

11 an opportunity to take a look at that document?

12 A. I have.

13 Q. Can you identify that document Mr. -- can

14 you recognize that document, Mr. McClerren, as a

15 tariff sheet that would have been filed with the

16 Illinois Commerce Commission?

17 A. I can, yes.

18 Q. And if I can call your attention to the

19 upper part of the document, this document

20 identifies and defines the services known as call

21 forwarding, call waiting, three-way calling, and

22 speed calling, does it not?

1 A. Yes.

2 Q. It includes prices and terms and conditions
3 for those service?

4 A. Yes, it does.

5 Q. If I could call your attention to the upper
6 right-hand corner of the document, could you tell
7 me the effective date of this tariff, please?

8 A. June 15, 1974.

9 Q. And that's before the issue date of the
10 order you referred to in your testimony, I believe?

11 A. That is true.

12 Q. That's also well before the early 1990s, is
13 it not?

14 A. It is.

15 Q. I'm going to speed this up by giving you
16 these three at the same time, hand you a series of
17 documents that I've marked sequentially McClerren
18 Cross 35, 36, and 37. And for those of you who get
19 unmarked copies, they're in chron order.

20 If you just let me know when you have
21 had an opportunity to look through those .

22 A. All right.

1 Q. Calling your attention first to McClerren
2 Cross Exhibit 35, does this document add to the
3 previous list of services that we just discussed in
4 Section 1.3(a)2, three additional variants of call
5 forwarding listed as variable, busy line, and don't
6 answer?

7 A. And the only request I would have -- the
8 papers have gotten confusing here -- which one is
9 35, is that --

10 Q. It is Part 2, Section 9 original Page 2.

11 A. 2.3, okay.

12 Q. So if I could call your attention to
13 Section 9, paragraph 1.3(a)2, is it true that this
14 tariff --

15 A. 1.5(a)2?

16 Q. 1.3(a)2, right up near the top.

17 (Whereupon, there was a change
18 of reporters.)

19

20

21

22

1 (Change of reporters.)

2 Q. This adds to the services that we mentioned
3 in the prior series of questions, three different
4 variants of call forwarding listed as variable,
5 busy line and don't answer?

6 A. Yes.

7 Q. And provides prices and terms and
8 conditions for those services?

9 A. It does, yes.

10 Q. And what is the effective date of this
11 tariff?

12 A. It's July 21, 1983.

13 Q. And that's also prior to the early 1990's?

14 A. It is, yes.

15 Q. Calling your attention to McClerren Cross
16 Exhibit 36, specifically near the top of the page
17 it identifies in Paragraph 9.1A an additional
18 vertical feature identified as call identification
19 service, does it not?

20 A. It does, yes.

21 Q. And that is again in addition to the
22 vertical services that we've discussed so far?

1 A. Yes.

2 Q. And provides prices, terms and conditions
3 for that service?

4 A. Yes.

5 Q. And the effective date of this tariff is
6 what, please?

7 A. October 24, 1988.

8 Q. And then if you turn to the last one,
9 McClerren Cross Exhibit 37. Mr. McClerren, is it
10 true that this exhibit is also a tariff sheet, and
11 it includes what are identified as advanced custom
12 calling services, and specifically identifies those
13 services as automatic call back, repeat dialing,
14 distinctive ringing and call screening?

15 A. Yes.

16 Q. And again, it provides actually, this one
17 doesn't have the prices, but you can see the
18 service definition in the terms and conditions
19 here?

20 A. Yes.

21 Q. And what is the effective date of this
22 tariff?

1 A. September 1, 1989.

2 MR. KERBER: That's all the questions I have,
3 and I move for admission of these four cross
4 exhibits.

5 JUDGE CASEY: Any objection? Ameritech Cross
6 34, 35, 36, 37 will be admitted.

7 (Whereupon Ameritech Cross
8 Exhibits Nos. 34, 35, 36 and 37 were
9 admitted into evidence.)

10 CROSS EXAMINATION

11 BY

12 MS. LUSSEN:

13 Q. Good afternoon, Mr. McClerren.

14 A. Good afternoon.

15 Q. If you could turn to Page 7 of your direct
16 testimony. At Line 155, you indicate that staff
17 has learned that the company has applied an
18 inappropriate definition of installation
19 performance?

20 A. Yes.

21 Q. Can you identify when staff learned of what
22 you term an inappropriate definition of

1 installation performance?

2 A. I will only be able to characterize when it
3 came to my attention, and I would say that would be
4 in October 2000 time. Excuse me, let me back up
5 one month to September.

6 Q. And as I understand your testimony, is it
7 correct, then, that both before and after you
8 became involved with monitoring of Illinois Bell's
9 performance with respect to this benchmark, that
10 the staff interpreted the Company's definition of
11 this benchmark as relating solely to the provision
12 of regular telephone service, i.e., dial tone?

13 A. Yes.

14 Q. So is it also correct, then, that your
15 recommendation that the measure for installation
16 within five days be limited to the installation of
17 dial tone lines, access lines, is not a change in
18 staff's position, is it?

19 A. That is true.

20 Q. On Page 12 of your rebuttal testimony,
21 responding to Mr. Hudzik's testimony you discuss at
22 Lines 263 through 270 the relevance of monthly

1 data, do you see that portion?

2 A. Yes, I do.

3 Q. Would you agree that, or is it your
4 testimony that the degree to which the company
5 misses a benchmark each month is of concern to the
6 Commission, and you, and not just whether the
7 benchmark was achieved by the company?

8 A. I would agree that the magnitude of the
9 miss is important to me.

10 Q. And so would you agree, then, that all of
11 the things being equal, that the greater the miss
12 of a particular benchmark, the, perhaps, increased
13 concern of you and the Commission with respect to
14 the company's service quality performance?

15 A. And I want to be clear, I'm just speaking
16 for myself, but yes, the more a standard is missed,
17 the more -- it is more of a concern to me that the
18 more drastically a standard is missed the more of a
19 concern it is to me.

20 Q. And finally, Mr. McClerren, back in 1994
21 when the Commission approved the existing price cap
22 order, if I could I would like to show you a

1 conclusion stated by the Commission with respect to
2 service quality in that order.

3 And the order states, we recognize that
4 one of the theoretical risks of price regulation is
5 that the company may, while seeking to maximize its
6 income, reduce expenditures in certain areas in
7 such a manner as to impact service quality
8 adversely. This is especially true for residential
9 services, which are the most inelastic services and
10 unlikely it be exposed to competitive pressures in
11 the near term. Do you see that conclusion?

12 A. Yes, I do.

13 Q. And in your opinion, is the Commission's
14 conclusion as stated there relevant today, just as
15 it was back in 1994?

16 MR. KERBER: I'm going to object at this point,
17 because I think we've crossed the line into clearly
18 friendly cross. I mean that's language that
19 various staff witnesses have affirmatively relied
20 upon for essentially the same point Ms. Lusson
21 seems to be drawing out of Mr. McClerren.

22 JUDGE CASEY: Has Mr. McClerren said something

1 contrary to that in his testimony?

2 MS. LUSSEN: No, he's not but I think I'm
3 entitled to explore his opinion. I'm looking at --

4 JUDGE CASEY: But if he hasn't expressed an
5 opinion, or his opinion is the same as what's
6 already there.

7 MS. LUSSEN: That's what I'm trying to
8 determine, if it is the same.

9 JUDGE CASEY: Where in his testimony does he
10 talk about this subject matter?

11 MS. LUSSEN: At Lines 98 through 105, on
12 Mr. McClerren's direct testimony, there is a
13 discussion about maintaining service quality levels
14 and the validity of that. And the question it
15 states, the question to be addressed in this
16 proceeding is what penalties should be established
17 to motivate the company to maintain service quality
18 since the current penalties have not succeeded in
19 that task.

20 To the extent the Commission indicated
21 in the price cap order that under alternative
22 regulation, and the release of earnings restraints,

1 that the company is inclined to behave a certain
2 way with respect to service quality or at least has
3 the ability to allow service quality to degrade, my
4 question relates --

5 JUDGE MORAN: Your question relates to a certain
6 passage taken out of the Commission's order in
7 92-0448, am I correct?

8 MS. LUSSON: That's correct.

9 JUDGE MORAN: And you can certainly ask -- has
10 Mr. McClerren alluded to that passage in his
11 testimony?

12 MS. LUSSON: Not specifically, no.

13 JUDGE MORAN: So he hasn't testified --

14 MS. LUSSON: He's testified about what motivates
15 the company to maintain service quality, and the
16 passage I've read discusses certain motivations
17 associated with alternative regulation, that is the
18 fact that earnings are unlimited, so therefore
19 there is the possibility that a company under
20 regulation could permit service quality to degrade.

21 JUDGE MORAN: Are you asking Mr. McClerren if he
22 shares those sentiments?

1 MS. LUSSON: That's exactly what I asked him.

2 JUDGE MORAN: That's a different question.

3 MS. LUSSON: No, I think that's exactly what I
4 asked him, if he still agrees that that is relevant
5 today. That was my question.

6 MR. HARVEY: I guess my thought there would be
7 asking Mr. McClerren whether the -- a portion of
8 the Commission's order in 92-0448 is relevant calls
9 for a legal conclusion, and is sort of -- I mean it
10 seems to be self evident that the order is
11 relevant, you know. I'm not sure that anybody has
12 attempted to deny that in this proceeding.

13 MS. LUSSON: I didn't ask if the order was
14 relevant.

15 MR. HARVEY: That's exactly what you said.

16 MS. LUSSON: I asked if the conclusion reached
17 by the Commission with respect to the proclivities
18 of the company under alt reg to allow service to
19 degrade is still a legitimate concern today, five
20 years later.

21 JUDGE MORAN: Is it a legitimate concern to the
22 plan?

1 MS. LUSSON: If alt reg is approved, my question
2 is to Mr. McClerren, is that concern expressed by
3 the Commission in that order a concern of his
4 today? Is it still relevant?

5 MR. HARVEY: I think those are two different
6 questions.

7 JUDGE MORAN: We'll allow the question, but I
8 think you didn't need to cite to the order, you
9 could have asked if these particular concerns are.
10 You are complicating it by making it part of the
11 order. Do you know what I'm saying, you are
12 throwing --

13 MS. LUSSON: I guess I was laying the foundation
14 for that sentiment, that's all I was doing by
15 citing to the order.

16 JUDGE MORAN: Mr. McClerren.

17 THE WITNESS: I agree totally that it's still a
18 pertinent concern, particularly given the last five
19 years. We have experience where I think we have
20 very clearly seen a company with motivations,
21 economic signals to not behave in a strong service
22 quality fashion.

1 MS. LUSSON: Thank you, Mr. McClerren, that's
2 all the questions I have.

3 JUDGE CASEY: Any other cross? Redirect?

4 MR. NIXON: Can we have a minute?

5 JUDGE CASEY: Yes. We are off the record.

6 (Whereupon, there was an
7 off-the-record discussion.)

8 JUDGE MORAN: Is there any redirect for
9 Mr. McClerren?

10 MR. NIXON: Yes, there is.

11 JUDGE MORAN: Please proceed.

12 REDIRECT EXAMINATION

13 BY

14 MR. NIXON:

15 Q. Mr. McClerren, you were asked some
16 questions by Ameritech's counsel about your
17 testimony on whether or not you found that regular
18 service installation should not include vertical
19 services, do you recall that?

20 A. Yes, I do.

21 Q. And in particular, they provided us with
22 Cross Exhibits 34, 35, 36, and 37. Do you have

1 those in front of you?

2 A. Yes, I do.

3 Q. If you would look at Ameritech McClerren
4 Cross Exhibit 34, please?

5 A. Yes.

6 Q. And near the top of that document, not at
7 the top, but where it says Part 2, Communication
8 Services, do you see that line?

9 A. Yes, I do.

10 Q. Would you read the portion directly under
11 that, please?

12 A. It says Section 9 Custom Calling Service.

13 Q. And in your opinion, is custom calling
14 within the realm of what you have testified to as
15 regular services?

16 A. No, it is not.

17 MR. KERBER: I'm sorry, I didn't quite hear the
18 question.

19 MR. NIXON: To what he has testified to as
20 regular services.

21 MR. KERBER: Okay, thanks.

22

1 BY MR. NIXON:

2 Q. And if you would look at please Ameritech
3 McClerren Cross Exhibit 35?

4 A. Yes.

5 Q. And again, towards the top there is a
6 legend, Part 2, Exchange Telecommunications
7 Service, would you please read the line immediately
8 under that?

9 A. It's Section 9, Central Office Optional
10 Line Features.

11 Q. And do you consider optional line features
12 to be part of what, in your opinion, are regular
13 services?

14 A. No, I do not.

15 Q. And again, referring to Ameritech McClerren
16 Cross Exhibit 36?

17 A. Yes.

18 Q. Again, near the top there is the line that
19 says Part 2, Exchange Telecommunications Services,
20 and under that, can you tell us what the line
21 reads, please?

22 A. Section 9, Central Office Optional Line

1 Features.

2 Q. And again, do you consider optional line
3 features to be part of regular service as you've
4 testified?

5 A. No, I do not.

6 Q. And referring to Ameritech McClerren Cross
7 Exhibit 37, which is the last of the cross
8 exhibits, again there is a legend, Part 2, Exchange
9 Telecommunications Service, and under that what
10 does it read, Mr. McClerren?

11 A. Section 9, Central Office Optional Line
12 Features.

13 Q. And again, are optional line features
14 within the scope of what you have testified to as
15 regular services?

16 A. No.

17 MR. NIXON: That's all I have.

18 JUDGE CASEY: Recross?

19 MR. KERBER: No, your Honor.

20 (Witness excused.)

21

22

1 (Whereupon Ameritech
2 Exhibits Nos. 12.0, 12.1, 12.1P and
3 12.2E were marked for
4 identification as of this date.)
5 (Witness sworn.)
6 JOHN HUDZIK,
7 called as a witness herein, having been first duly
8 sworn, was examined and testified as follows:
9 DIRECT EXAMINATION
10 BY
11 MR. KERBER:
12 Q. Ameritech Illinois next calls Mr. John
13 Hudzik. Mr. Hudzik, I have sitting on the table
14 here between us four documents. They are
15 respectively the rebuttal testimony of John Hudzik,
16 Ameritech Illinois Exhibit 12.0. The surrebuttal
17 testimony of John Hudzik, proprietary version,
18 Ameritech Illinois Exhibit 12.1, the surrebuttal
19 testimony of John Hudzik, public version, also
20 Ameritech Illinois Exhibit 12.1.
21 And a list of corrections to both the
22 rebuttal and surrebuttal testimony, which the

1 Hearing Examiners have instructed us to have marked
2 Ameritech Illinois Exhibit 12.2?

3 JUDGE CASEY: And add an E to the end of that so
4 everyone knows that it's errata.

5 MR. KERBER: 12.2E for errata.

6 BY MR. KERBER:

7 Q. Are you familiar with these documents?

8 A. Yes, I am.

9 Q. Were they prepared by you or under y our
10 direction?

11 A. Yes, they were.

12 Q. And if you were asked the questions that
13 appear within these documents today here under oath
14 with your answers be the same as what appear here
15 in the documents?

16 A. Yes, they do.

17 Q. With that, I would move for the admission
18 of these exhibits, and tender Mr. Hudzik for cross
19 examination. And just for the convenience of the
20 parties, I would note that the only proprietary
21 information in the surrebuttal is in the paragraph,
22 the Q and A that appears on the upper part of Page

1 13, which is some budget information, and the
2 remainder is all public.

3 JUDGE MORAN: Are there any objections to any of
4 the exhibits as outlined by Ameritech counsel?
5 Hearing no objection, Ameritech Illinois Exhibit
6 No. 12.0, 12.1P, and 12.1, as well as 12.2E, being
7 the errata are admitted into the record. And is
8 subject to cross examination.

9 (Whereupon Ameritech Illinois
10 Exhibits Nos. 12.0, 12.1P, 12.1 and
11 12.2E was admitted into evidence.)

12 JUDGE MORAN: Who will begin?

13 JUDGE CASEY: Well, we are going to take a break
14 now until 3:30.

15 (Whereupon, there was
16 a short break taken.)

17 JUDGE MORAN: Okay, who wishes to start cross
18 examination of Mr. Hudzik?

19 MR. KERBER: First, your Honor, we've got two
20 more corrections that Ms. Lusson kindly pointed out
21 to us. In Exhibit 12.1, both the proprietary and
22 the public version in the last five lines of the

1 answer, in both places where the word numerator
2 appears, it should be denominator.

3 And in the break -- Page 27 Q and A at
4 the top half of the page, and I've already marked
5 those on the court reporter's versions. In
6 addition,
7 Mr. Hudzik had a couple of not really
8 clarifications -- or not really corrections, but
9 sort of generalized clarifications, and I thought
10 it might be useful if he would give us those in
11 case it saves us a question or two later.

12 MS. SATTER: I have a question, did you say that
13 only the last sentence or -- the last two
14 sentences, numerator appears in both of the last
15 two sentences.

16 MR. KERBER: The last two sentences, I'm sorry,
17 the last two sentences, the last five lines, those
18 both where it mentions numerator are denominator.

19 BY MR. KERBER:

20 Q. And Mr. Hudzik, would you like to just go
21 ahead and make the clarifications that you had
22 indicated you would wanted to address?

1 A. Sure the first correction is in my rebuttal
2 testimony Exhibit 12.0, Page 20, the first full
3 paragraph, the one that starts, no, they do not.
4 In that paragraph, I mention that a neutral ranking
5 for the customer satisfaction surveys was 52.
6 Actually the neutral score depends on the specific
7 question asked, it actually ranges between 52 and
8 54.

9 The second correction is on my
10 surrebuttal testimony on Page 46. At the top of
11 the page where I discuss call forwarding service
12 associated with cellular program in Ohio,
13 subsequent to the submittal of my testimony I
14 learned that in fact in Ohio as part of the
15 cellular loaner program, customer are given the
16 option of call forwarding to residence line, to
17 another land line, and that wasn't clear from my
18 original testimony.

19 JUDGE MORAN: So, in other words, you have
20 learned that customers in Ohio are offered?

21 THE WITNESS: They are offered call forwarding
22 associated with the cellular loaner. It is not

1 required, but it is part of the program.

2 MS. HAMILL: Is that in addition to the loaner,
3 did you say?

4 THE WITNESS: It is only offered in conjunction
5 with the loaner.

6 JUDGE MORAN: And if I can go back to your
7 rebuttal testimony where you make the correction on
8 Page 20, I see here the statement that a neutral
9 ranking is given a score of 54. Are you saying
10 that's 52 to 54?

11 THE WITNESS: It ranges depending on the
12 specific question being asked. It can be anywhere
13 from 52 to 54 depending on the question.

14 JUDGE MORAN: Thank you. And who wishes to
15 begin cross examination of Mr. Hudzik?

16 MS. LUSSON: I'll go first.

17 CROSS EXAMINATION

18 BY

19 MS. LUSSON:

20 Q. Good afternoon, Mr. Hudzik, my name is
21 Karen Lusson, I represent the Citizens Utility
22 Board. I want to start out by asking you a couple

1 of questions that Mr. O'Brien referred to you.

2 A. Okay.

3 Q. And this has to do with a line of
4 questioning I had to Mr. O'Brien regarding the
5 Company's calculation of installation within five
6 days, that benchmark. And I asked Mr. O'Brien,
7 isn't it correct that the installation of vertical
8 features do not require a field visit to customer
9 premises; isn't that correct?

10 A. In almost every case that is true.

11 Q. And there is no work on Ameritech's outside
12 plant or central office associated with
13 installation of vertical features, is there?

14 A. Again, almost in every case that's true.

15 Q. And when someone orders a vertical feature
16 be added to their own service, does the customer
17 service representative that takes that order modify
18 the Company's records to insure that that feature
19 is then made a part of that customer service?

20 A. When the customer orders that particular
21 vertical service, the customer service rep
22 initiates a service order request that actually

1 flows through to the translation system that makes
2 that change in the central office switch, so yes.

3 Q. Would it be fair to characterize that
4 exercise as a computer entry by the customer
5 service representative?

6 A. Yes, it would.

7 Q. Another question that Mr. O'Brien indicated
8 you might be able to answer, was, again, along
9 these lines. Is it correct that in computing
10 installations within five days, that the company
11 excludes second lines and additional lines?

12 A. That is correct.

13 Q. And new orders for multiple lines are also
14 excluded?

15 A. Yes, that's correct.

16 Q. And how about an installation of pay phone
17 lines?

18 A. No, that's not correct. The only pay phone
19 lines that will be excluded will be Ameritech pay
20 phone lines. If it's a private vendor pay phone
21 they would be counted.

22 Q. And can you give a definition of what

1 constitutes a transfer, which as I understand it is
2 included within the definition of installation
3 within five days?

4 A. Yes. Typically it is a customer who is
5 taking their existing service from one location to
6 another, typically it's referred to as a T and F
7 order, a to and from order, and we count the T part
8 or the installation part of that order.

9 Q. And with respect to change orders, does
10 that refer to a customer requesting, for example,
11 the addition of a vertical service to their monthly
12 service?

13 A. It could be a request for almost anything,
14 it could be a request for vertical service, it
15 could be a request for additional line.

16 Q. And were you in the room when Mr. Kerber
17 introduced Ameritech Illinois McClerren Cross
18 Exhibits 34 through 37?

19 A. Yes, I was.

20 Q. And as I understand those exhibits, they
21 purport to indicate various tariffs that began the
22 offering of these, what would otherwise be called

1 vertical services?

2 A. I'm not sure they began the offering, I
3 think those exhibits demonstrated those services
4 were available at that time.

5 Q. If you could just take a look through the
6 list produced in these exhibits. And can you
7 indicate, are there any other services that
8 Ameritech offers today in addition to these that
9 would fall under the umbrella of vertical services?

10 JUDGE MORAN: Have you anywhere in your
11 testimony put in an exhaustive list of vertical
12 services?

13 THE WITNESS: No, I have not. The only one that
14 I can think of that comes to mind that I don't see
15 on here is talking call waiting, where the person
16 who is wanting to get through's name is actually
17 announced to the person. Other than that, I think
18 everything is on there that I can recall.

19 BY MS. LUSSON:

20 Q. And is the customer's request for caller ID
21 to be initiated in their monthly service also
22 included within your definition of vertical

1 services?

2 A. Yes, it would be.

3 Q. And how about the relatively, I think it's
4 a relatively new service, the caller ID, I think
5 it's privacy manager?

6 A. That would also be vertical service, yes.

7 Q. And that also is included within the
8 Company's measure of installation within five days?

9 A. Yes. The only vertical service I know that
10 is not included within the vertical service
11 calculation is voice mail.

12 Q. And would it be fair to say that the
13 penetration level of the subscribership to these
14 vertical services listed in McClerren Cross
15 Exhibits 34 through 37, and including caller ID and
16 privacy manager, that has increased or grown in the
17 last decade?

18 A. Yes, I would say that's a true statement.

19 Q. So, for example, the specific services
20 listed in McClerren Cross Exhibits 34 through 37,
21 the level of subscribership to those services back
22 in the dates listed on these tariffs was, is it

1 fair to say, was considerably less than exists
2 today?

3 A. I can't speculate as far as the degree. I
4 think it's a fair statement so say it was less, but
5 I couldn't say how far.

6 Q. Turning your attention to your Exhibit
7 12.1, your surrebuttal testimony at Page 2. You
8 discuss information concerning the Company's
9 reduction in field visit installation intervals,
10 and pending installation orders, do you see that?

11 A. Yes, I do.

12 Q. First of all, when you reference the word
13 pending in the middle there, how long have those
14 orders been pending, those installation orders?

15 A. It could be anywhere from one day, out
16 forever. It's any order that has an active due
17 date on it.

18 Q. And you've indicated there that the
19 interval has been reduced for the month of January
20 2001 in the first sentence, do you see that for
21 installation?

22 A. Yes.

1 Q. Is it fair to say that the level of
2 requests for installation by customers is seasonal
3 in nature?

4 A. Yes, it is.

5 Q. And at Page 5 of your testimony, you
6 indicate that you refer to January as a low month.
7 Is it fair to say, then, that January is, in terms
8 of overall number of installation requests, one of
9 the lower months in terms of customer demand?

10 A. Traditionally that's true.

11 Q. With respect to the Company's calculation
12 of out of service over 24 hours, can you define
13 what constitutes an act of God in the Company's
14 eyes?

15 A. An act God is typically used to define a
16 weather event outside the normal, what would be
17 expected, for example a flood situation, a severe
18 blizzard, not just normal snow fall or normal rain
19 fall activity, but something outside the norm of
20 what one would expect in that particular season.

21 Q. And in determining what constitutes an act
22 of God, is that within the Company's discretion or

1 does the company seek approval from ICC -- the ICC
2 as to its characterization of out of service
3 incidents as acts of God?

4 A. We have not requested approval for use of
5 those codes as act of God. We have informally
6 discussed the use of those codes with Commission
7 staff during ongoing meetings.

8 Q. And is it within the discretion of the
9 field personnel assigned to certain areas or
10 central offices, or is that a decision you make?

11 A. The use of those act of God codes basically
12 is made by upper management, it's not something an
13 individual technician would generally do on their
14 own.

15 Q. And if that decision is made by upper
16 management, then in the tallying of outages, is it
17 also upper management that is making -- or keeping
18 track of those outages?

19 MR. KERBER: I'm sorry, could you clarify those
20 outages? Do you mean generally timing the length
21 of an individual out of service incident, or are
22 you talking about a specific act of God outage?

1 MS. LUSSON: I guess my question is, are the
2 same people who determine the definition of act of
3 God also tracking outages for purposes of this
4 benchmark?

5 THE WITNESS: Are you asking whether there is a
6 separate group looking at whether those act of God
7 exclusions are used appropriately, than the line
8 personnel who is actually using them?

9 BY MS. LUSSON:

10 Q. I guess my question is, once an outage
11 occurs, and field personnel are assigned to repair
12 a line, are the same individuals who are tallying
13 those outages in terms of the amount of time it
14 took to repair the line, the same individuals that
15 make the decision as to whether it constitutes an
16 act of God?

17 (Change of reporter.)

18

19

20

21

22

1 (Whereupon, there was a change
2 of reporters.)

3 THE WITNESS: Maybe if I explain the process,
4 that might help answer the question.

5 The counting of the Act of God is based
6 on the coding that the technician does when he
7 closes out that particular case of trouble.

8 The authorization to use that code which
9 would indicate an Act of God is authorized by the
10 management of that organization and not by the
11 technician himself.

12 BY MS. LUSSON:

13 Q. By management of that organization, do you
14 mean the manager of the technician?

15 A. No, the general manager of the division.

16 Q. I guess I'm still confused as to how that
17 technician knows to assign that Act of God code to
18 an outage he has just handled?

19 A. Because these are rare events, if it's a
20 blizzard condition or flood condition, we know the
21 areas impacted and the cases of trouble involved in
22 that. That is when that message would be given to

1 those groups of technicians working on that
2 particular event.

3 Q. Is it your testimony that the Company does
4 not exclude weekends and holidays from its
5 calculation of the duration of an outage?

6 A. We do not.

7 Q. Is it also true that the Company includes
8 Act of God -- excludes Act of God outages from the
9 numerator but includes them in the denominator when
10 calculating its performance of OOS greater than 24
11 hours?

12 A. That is true.

13 Q. Turning to Page 3 of your surrebuttal, you
14 reference increases in network head count. At the
15 top of the page that those numbers reference there,
16 how many of those individuals constitute employees
17 imported from other SBC regions?

18 A. None of them.

19 Q. None of them.

20 Directing your attention to
21 Page 5 of your surrebuttal testimony; again, where
22 you discuss the seasonality of service quality

1 problems. Now, I think you have testified that
2 installations is seasonal, the demand for
3 installations is seasonal in nature?

4 A. Yes.

5 Q. Is it also true that the level of out of
6 service over 24 outages is seasonal in nature?

7 A. Yes, there are always exceptions to that
8 based on weather circumstances, but in general,
9 that is true.

10 Q. Would that also be true for incidents of
11 repair, for example, trouble reports or 100 lines?

12 A. Yes, but because the way the measure is
13 calculated, you see less of a fluctuation on
14 trouble requests because it is measured on the
15 basis of total access lines.

16 Q. Turning to Page 7 of your testimony --
17 strike that.

18 Let me ask you, generally, going back to
19 the discussion of excluding second and additional
20 lines within the computation of installation within
21 5 days, is it correct that the Company includes
22 those items in the denominator in its calculation

1 of that?

2 A. No, that is not true.

3 Q. Turning to Page 12 of your surrebuttal
4 testimony, please.

5 I made a notation that the sentence
6 beginning with the word "however" was a bit unclear
7 the way it was written. Is that one of the
8 sentences that you corrected?

9 A. Yes, this was corrected.

10 Q. To clarify your testimony at Page 15 of
11 your Exhibit 12.1, there you discuss missed
12 installation calculations, repair appointments. At
13 the bottom of the page you say a credit would be
14 available only when Ameritech Illinois has missed a
15 specific appointment to have a technician at the
16 premises within a certain time window. What do you
17 mean by "within a certain
18 time window?"

19 A. If there was an arrangement made,
20 for example, on a repair case, that the customer
21 wanted to be home or needed to be home when that
22 technician arrived and the appointment was made,

1 for example, between 4:00 and 8:00 p.m. on a
2 specific day and the technician did not arrive
3 during that window, that's an example of a
4 situation that a credit would exist .

5 If the repair commitment was just that
6 we will have your service fixed by 8:00 p.m.
7 tomorrow night; in other words, there was never an
8 arrangement made as far as meeting the technician
9 or needing access to the customer's premises, there
10 would be no credit applied.

11 It would just be in those situations
12 where the customer was obviously expecting the
13 technician to arrive and he didn't.

14 Q. Is it also correct that you have testified
15 that a credit would only apply if Illinois Bell has
16 not contacted the customer that they won't be
17 arriving to meet that appointment?

18 A. Correct we -- that credit would apply in
19 those circumstances that I just described unless
20 the Company gave that customer 24-hours
21 advance notice.

22 Q. Would the credit apply if the individual

1 had an appointment for 5:00 o'clock Friday and at
2 11:00 a.m. on Friday, the Company called and said
3 they are not going to make the appointment?

4 A. Yes, because that wouldn't be a 24-hour
5 notice.

6 Q. And just to clarify because I think in some
7 aspects the varying proposals for service quality
8 penalties have been changed, so I just want to
9 clarify.

10 Is it correct that the Company's offer
11 for individual customer-specific penalties would
12 only apply if the penalty structure is removed from
13 the price cap index?

14 A. That's correct.

15 Q. So if the Commission adopts the Company's
16 proposal to leave the penalty at
17 .25 percent within the price cap index, those
18 customer-specific remedies would not apply?

19 A. That's correct.

20 Q. Turning to Page 16 of your surrebuttal
21 testimony, you indicate that credits for missed
22 appointments should only be offered in years

1 following a year in which the Company failed to
2 attain the established benchmark and that if the
3 Company met the established benchmark, no credit
4 should be offered.

5 I assume you're meaning in terms of an
6 annual reconciliation of the benchmark and not a
7 monthly?

8 A. That is correct, annual.

9 Q. Would you agree that it's possible that
10 assuming Ameritech missed a benchmark and customer
11 credits would apply the following year, that there
12 exists the possibility that those customers who
13 were inconvenienced by a missed appointment and who
14 would otherwise be eligible for a penalty might not
15 get it if, for example, they moved out of the
16 state?

17 A. Are you referring to a customer that was
18 inconvenienced the year in which the penalty was
19 then applied, meaning the subsequent year?

20 Q. No.

21 If, for example, Illinois Bell missed an
22 appointment in 2000, for hypothetical purposes, and

1 in fact, it was determined that the Company missed
2 that particular benchmark in the Year 2000. I
3 assume then your testimony is that a customer
4 credit would apply and be forwarded to that
5 customer the following year?

6 A. No, that is not my testimony.

7 Q. When would that customer see that?

8 A. That customer would not.

9 My testimony is the Company proposal, as
10 it stands, is if the Company failed to meet a
11 benchmark, in your example, for 2000, that would
12 trigger the offering of credits to any customers we
13 missed that same benchmark during 2001.

14 Q. So the customer would receive it in 2001?

15 A. Any customer impacted by that benchmark in
16 2001 would receive that credit--

17 Q. And just to make sure the record is clear,
18 if the Company made or achieved its benchmark, for
19 example, for installation within
20 5 days in the Year 2000 but customers in the
21 2001 were faced with missed appointments by the
22 Company, they would not receive the credit?

1 A. For an occurrence in 2001?

2 Q. Right.

3 A. If we made it in 2000?

4 Q. Right.

5 A. Yes, that's correct.

6 Q. Now, on Page 16, you indicate that

7 Ameritech Illinois' position on this issue is

8 consistent with the approach taken in both

9 Ohio and Indiana; is that correct?

10 A. That's correct.

11 Q. And by "this issue," you're referring to

12 the difference between a commitment and an

13 appointment; is that correct?

14 A. Correct.

15 Q. Is it correct that in Ohio and Indiana ,

16 American must pay customers in all years for missed

17 appointments regardless of whether an established

18 benchmark was failed in the

19 prior year?

20 A. Under those proposals, yes, because they

21 have no Alternative Regulatory measures like we

22 have here.

1 Q. With respect to your testimony regarding
2 the internal measures proposed by Ms. Terkeurst to
3 be applied as new service quality measures, and I'm
4 looking at Page 17.

5 A. Yes.

6 Q. Is it correct that each of the new measures
7 proposed by Ms. Terkeurst is an internal measure
8 that the Company has already been tracking
9 performance of with the exception of one which you
10 identify in your testimony?

11 A. I think it is fair to say that the
12 categories that Ms. Terkeurst uses are the same
13 names, essentially, as measures that are used
14 internally. The way she defines them may not be
15 the same as the way the Company defines them.

16 Q. At Page 21 of your testimony, you discuss
17 the use or selection of data for purposes of
18 determining a benchmark.

19 A. Yes.

20 Q. And again, Mr. O'Brien referred me to you
21 in terms of asking you some specific questions with
22 regard to the Company's policy on record retention.

1 First of all, who in the Company, if you
2 can identify the individual or individuals, makes
3 the decision as to which service quality measures,
4 whether they be the benchmarks in this plan or the
5 internal measures that the Company has in place,
6 the duration -- I lost the first part of the
7 question. Let me break it up.

8 Who in the Company can you identify, if
9 you can identify, makes the decision as to how long
10 records will be retained for the Company's
11 performance with respect to the eight service
12 quality benchmarks in the existing price cap plan?

13 A. By individual, I couldn't tell you. I do
14 know that we do have a network results organization
15 that existed within Ameritech Illinois and now
16 exists within the SBC structure and it's
17 responsible for maintenance of those and any sort
18 of regulatory measurements.

19 Q. Is there a policy that you can describe in
20 terms of record retention, that being the length of
21 time records are retained, for those eight
22 benchmarks?

1 A. I can't speak directly to a policy. From
2 my understanding, certainly, in the case of these
3 eight benchmarks, since 1994 when we started
4 reporting these benchmarks, we have monthly data
5 that is available for all of them.

6 Q. And with respect to pre-1994 levels, is it
7 correct that the Company retains those on an annual
8 basis only?

9 A. If they had been an internal measure or
10 otherwise used internally in the Company, they may
11 be retained, but I don't know if there is a formal
12 retention policy as far as keeping those or not.

13 Q. Same question with respect to the internal
14 measures.

15 Is there a policy in place for the
16 length of time records are retained?

17 A. Internal measures are a lot more fluid.
18 Typically, internal measures are determined by an
19 individual department or organization that wants to
20 track a particular facet of their operation that
21 particular year.

22 Those internal measures are subject to

1 frequent criteria changes as far as how they are
2 measured because an organization may want to focus
3 on one aspect one year and they don't the next
4 year. The measures sometimes can't be compared
5 year to year.

6 As far as any retention policy, that
7 would be up to the individual department that
8 utilize that data.

9 Q. So would you agree that to the extent
10 performance benchmarks are established for any
11 internal measures that might be adopted by the
12 Commission, that the benchmark -- that the
13 performance level selected is dependent upon the
14 Company's prior decision as to how long those
15 records will be retained?

16 A. Could you rephrase that.

17 Q. To the extent the Company is making a
18 proposal in this case about which years should be
19 used as benchmarks for a specific measure, would
20 you agree then that that measure is dependent upon
21 the Company's policy with respect to the retention
22 of records for that measure?

1 A. To the extent that the benchmarks that are
2 being proposed are consistent with internal
3 measures that we had historically over the years, I
4 would say that is true.

5 Q. At the bottom of Page 23 and the top of
6 Page 24, you discuss the possibility of changing
7 the way the Company reports installation data by
8 excluding vertical features . You use the
9 phrase -- you indicate that simply redesigning the
10 existing benchmark would not be appropriate because
11 the Commission would essentially be changing the
12 rules in the middle of the game.

13 If Ameritech's interpretation of the
14 installation within 5 days rule; that is, the Part
15 730 definition, is wrong, would you agree that
16 those rules would not be necessarily changing?

17 A. No, I wouldn't. The benchmark that was
18 established for Alternative Regulation was based on
19 a measure that was in place in the 1990 -1992 time
20 frame. The method of calculation was consistent
21 then with as it is being used now which is the
22 inclusion of those vertical services.

1 To the extent the Company agreed that
2 was an appropriate benchmark for the first Alt Reg
3 proceeding, they would be changing the rules here
4 as we change the calculation methodology without
5 changing the benchmark.

6 Q. Is it your testimony that the Staff knew
7 you were including vertical features in the
8 Company's computation of that measure in the
9 early nineties?

10 A. I can't comment on that.

11 Q. At the bottom of Page 24, you comment on
12 Ms. Terkeurst's proposal that some of the
13 benchmarks should be based on Ameritech's single
14 best year performance. Do you see that testimony?

15 A. Yes, I do.

16 Q. You indicate a tough year for one measure
17 might be an easy year for a
18 different measure.

19 Have you specifically examined the "best
20 year" used by Ms. Terkeurst as a performance
21 standard do determine whether economic conditions
22 had been particularly easy or tough or weather had

1 been unusually easy or tough? Have you made that
2 specific analysis?

3 And to the extent that your testimony is
4 generally critical of that recommendation, I'm
5 saying in general.

6 A. When I made that statement, I was speaking
7 in general terms. For example, in a more depressed
8 economic climate, you wouldn't expect there to be
9 the number of new installation orders or a year
10 with very extreme weather situations, very rainy,
11 humid during the summer, that would affect the
12 annual results as well.

13 BY MS. LUSSON:

14 Q. Have you gone back to look at the measures
15 Ms. Terkeurst is proposing on an individual basis
16 to determine whether or not the performance
17 standard is particularly harsh given any sort of
18 economic conditions or weather patterns that may
19 have existed in that year?

20 A. Not to that extent.

21 I looked at the measures that
22 Ms. Terkeurst proposed and looked at the results of

1 the preceding five or six years of data. There is
2 wide variability in almost every measure.

3 Q. But you didn't examine weather conditions
4 or economic conditions?

5 A. Not specifically, no.

6 Q. Turning to Page 28 of your surrebuttal
7 testimony, the top half, second question, you
8 discuss the Company's opposition to separating
9 answer time measurements of residents and business
10 offices. Do you see that?

11 A. Yes, I do.

12 Q. Would you agree that strictly from a
13 mathematical standpoint, not disaggregating this
14 measure could as a result in one customer class
15 receiving significantly different service quality
16 performance from the Company than the other?

17 A. That would be true, yes.

18 Q. So in fact, the Company could meet a
19 measure as the Company's proposed for this -- for
20 answer time and have significant variations between
21 the answer time for business customers and
22 residential customers?

1 A. It could be. I think the Company's
2 opposition to not combining the measure is the fact
3 you would essentially be paying double penalties
4 for business office measures.

5 If the measures were disaggregated and
6 measured separately, then we propose the penalties
7 would be likewise split as well.

8 Q. If you could turn to Page 30 of your
9 surrebuttal testimony where there is a brief
10 discussion of internal objectives. You indicate
11 the use of internal objectives is to stretch the
12 capabilities of our employees and these objectives
13 are often set at extremely difficult levels. Do
14 you see that?

15 A. Yes, I see that.

16 Q. Who in the Company or what group determines
17 what level the internal benchmark should be set at?

18 A. Typically, each organization defines their
19 own objectives.

20 Q. And when doing so, does the organization
21 pick a benchmark that they know they cannot meet?

22 A. Not purposely. I think the benchmark

1 picked would be an optimal point of where the
2 Company would hope to get to.

3 Q. So your testimony is not that the internal
4 benchmarks are impossible to achieve?

5 A. They would depend on the benchmark. In
6 some cases, the objective would be attainable with
7 some degree of effort. In other cases, although
8 it's a desired level of performance, realistically,
9 the Company would probably not get there in that
10 particular year.

11 Q. Would you agree that all internal
12 benchmarks that the Company has in place are
13 attainable if the Company makes the decision to
14 apportion the necessary resources and employee
15 force to achieve those levels?

16 A. I would assume, given unlimited resources
17 and optimal weather conditions and in a perfect
18 world, certainly, anything is attainable.

19 Q. It's not your testimony that it has to be a
20 perfect world to achieve those internal benchmarks,
21 is it?

22 A. It would depend on the benchmark.

1 Q. Is it your testimony that the Company has
2 never met any of its internal benchmarks
3 established for any service quality criteria
4 measured by the Company?

5 A. No, it's not.

6 Q. Turning to Page 32 of your surrebuttal,
7 please. You discuss the cellular telephone loaner
8 program?

9 A. Yes.

10 Q. Is it correct that that would only be made
11 available for customers experiencing outages and
12 not for customers experiencing installation delays
13 beyond 5 days?

14 A. That is correct.

15 Q. And then you indicate what the restrictions
16 are in the middle of Page 32. You say that if the
17 customer has alternative working service at that
18 premises, no cellular phone would be offered. What
19 does that mean in terms of alternative working
20 services?

21 A. If the customer has an additional line
22 working at their premises.

1 Q. You're not saying if the customer happens
2 to own a cell phone, they wouldn't get one from the
3 Company?

4 A. No.

5 Q. Again, with respect to your cellular loan
6 program, Page 33, you make an analogy in discussing
7 the fact that the Company is not proposing the
8 cellular loan program for installation. You make
9 an analogy to what you call the purchase of another
10 critical household item, the car. You indicate
11 that no loaner car is provided to customers when
12 the car they ordered can't immediately be
13 delivered; is that your comparison?

14 A. Yes, it is.

15 Q. Would you agree that when an individual is
16 purchasing a car, they have many alternatives in
17 the Chicagoland area; for example, in terms of
18 where they can go to purchase a car?

19 A. Yes.

20 Q. In terms of getting a land-line access line
21 installed in their residence, customers have one
22 place to go, Ameritech Illinois?

1 A. It would depend on the area, but the
2 choices are certainly limited, yes.

3 Q. Page 39 of your testimony. Is it correct
4 then that Ameritech will be paying a
5 \$30 million penalty for failure to meet OOS greater
6 than 24 hours during this year?

7 A. Yes, in fact, that amount is being credited
8 on customer bills this month.

9 Q. Turning to Page 40 of your surrebuttal
10 testimony, you provide various scenarios in
11 examining Ms. Terkeurst proposed penalty structure.
12 Do you see that testimony?

13 A. Yes, I do.

14 Q. Would you agree, generally, that if the
15 Company complies with the standards as proposed by
16 Ms. Terkeurst, the Company will not pay out a
17 single dollar?

18 A. No. To the extent that there are credits
19 given to customers for missed appointments or
20 missed installations, even if they were to meet the
21 benchmark, they would still make those payments.

22 Q. Excluding customer credits?

1 A. Excluding those, that is true.

2 Q. Turning your attention to
3 Exhibit 12.12. If you look at the line indicating
4 percentage installation within five days, and for
5 an assumption, there is a Footnote A. That
6 footnote says, GCI's proposal all vertical services
7 from this measure. No 1999 data was collected in
8 this manner." Do you see that?

9 A. Yes, I do.

10 Q. Is it your testimony that the Company does
11 not track these installations or did not track that
12 installation performance in 1999?

13 A. We did not measure those installations
14 within 5 days as proposed by Ms. Terkeurst's
15 testimony.

16 Q. How did you come up with the 9 percent
17 rough estimate?

18 A. Following discussions we had with the
19 Commission Staff last summer and fall, we have been
20 providing them weekly updates of,
21 for example, field visits installations within
22 5 days which is basically all new access lines or

1 dial-tone services. That has been running in the
2 upper eighties since that time.

3 Q. But it is your testimony that the
4 installation of access lines is included within the
5 measure of installation within 5 days, right?

6 A. Clearly.

7 Q. So when you say no 1999 data was collected
8 in this manner, I guess I'm having trouble
9 understanding why that is the case.

10 A. The data that was collected during 1999
11 included data for vertical service orders as well.

12 Q. But in terms of -- isn't it true that
13 installation of access lines is a component within
14 that overall calculation?

15 A. Yes, it is, but it wasn't tracked
16 separately from that. I can't go back and recast
17 1999 data perfectly without vertical services.

18 Q. At Page 42 of your testimony, the middle of
19 the page, you indicate that it is highly unlikely
20 that any telephone company in the country performs
21 at these levels. Have you conducted any specific
22 study of LECs in the United States to determine

1 whether they perform at the levels you list on your
2 Exhibit 12.14?

3 A. Not specifically. It's just from
4 experience.

5 Q. And in your work experience, have you been
6 an employee of Illinois Bell throughout your
7 career?

8 A. I have been with Illinois Bell or Ameritech
9 Illinois for twenty-one years. Prior to that, I
10 spent two years with GTE.

11 Q. What state was GTE?

12 A. Illinois.

13 Q. At the bottom of Page 42, you indicate with
14 respect to the methodology in which service quality
15 is measured outside the price cap?

16 A. Yes.

17 Q. Would you agree that the \$13 million level
18 is subject to reduction dependent upon the
19 Company's reclassification of services as
20 competitive?

21 A. It is certainly tied to the level but not
22 directly.

1 Q. On Page 4 of your rebuttal testimony, you
2 reference data for average out of service repair
3 intervals. You indicate that out of service repair
4 intervals for Ameritech were generally consistent
5 with or better than industry norms?

6 A. Yes.

7 Q. Did you perform a specific analysis to
8 determine how those other companies listed in the
9 data calculated their out of service measure?

10 A. No, I did not.

11 Q. Page 7, let me direct your attention to the
12 middle of the page. You indicate some
13 unanticipated retirement of network personnel. Can
14 you explain why they were unanticipated?

15 A. I think there is always attrition in
16 management employees. I think the level of
17 attrition that actually occurred in 1999 is
18 significantly higher than the Company had forecast.

19 Q. So the fact that they were, as you call it,
20 unanticipated, was due to a forecasting error in
21 your opinion?

22 A. The Company underestimated the number of

1 managers.

2 Q. Did it have anything to do with the merger?

3 A. No, it did not.

4 Q. Coincidental that it happened in 1999, the
5 same year as the merger?

6 A. I think it was more the affects of the
7 change in pension plans and calculations of the
8 lump sum.

9 Q. And turning your attention to the bottom of
10 the page where you discuss DSL installations.
11 First of all, are DSL installations included within
12 the Company's measure of installation within 5
13 days?

14 A. No, they are not.

15 Q. At the bottom of Page 13 of your rebuttal,
16 it talks about the Company's cables. If you know,
17 what percentage are
18 plastic-insullated cables?

19 A. I don't know for fact.

20 Q. On Page 16 of your rebuttal, towards the
21 bottom of the page, you discuss monthly data
22 showing service quality generally improving over

1 the term of the plan. You discuss total monthly
2 misses per year. Do you see that?

3 A. Yes, I do.

4 Q. Would you agree that just looking at
5 whether a service quality measure is missed doesn't
6 reflect how badly it was missed?

7 A. That is true.

8 Q. And would you agree that in order to make a
9 conclusion about whether or not service quality was
10 better in one year as opposed to another, when
11 looking at monthly data, you would need to compare
12 the degree the measurement was missed before
13 determining whether one year was better than he
14 other?

15 A. I think that is true, but the annual
16 measures the Company reports to the Commission
17 aren't averages of monthly results. They are
18 actually weighted averages. For example, if an out
19 of service occurred in August or July with very
20 heavy volume, it's obvious the results of that
21 month would be weighted more heavily than January
22 or December with very light volume.

1 Q. To the extent that last year the Commission
2 held meetings with Ameritech due to its concern
3 about installation delays and outage repair delays
4 --

5 A. Yes.

6 Q. -- would you agree that the degree to which
7 the Company was not meeting those objectives was of
8 concern to the Commission and not just the fact
9 that they were missing those objectives?

10 A. Certainly.

11 Q. And turning to Page 18 of your rebuttal
12 testimony where you discuss the White Paper, did
13 that White Paper that you're referring to there
14 provide specific definitions of installation orders
15 and how those measures -- that measure is computed?

16 A. They gave general descriptions of what
17 should be counted and how the measure should be
18 computed. As with all of these measures, there is
19 still a lot of room for subjectivity as far as what
20 is counted and what is not counted.

21 Q. Generally speaking, Mr. Hudzik, in your
22 opinion, is the threat of the imposition of a

1 service quality penalty an incentive to the Company
2 to improve service quality performance?

3 A. Yes, absolutely.

4 Q. And is the threat of a penalty incentive to
5 improve service quality performance more of an
6 incentive than if, in fact, a certain service
7 quality area did not have a penalty attached
8 to it?

9 A. Could you rephrase that.

10 Q. Let me try it again.

11 Is they correct then that to the extent
12 that the threat of an imposition of a penalty is an
13 incentive for the Company to improve its
14 performance, is it also true that there is more of
15 an incentive to improve performance if there is the
16 threat of a penalty attached to a particular
17 measurement as opposed to performance for
18 measurements in which there isn't a penalty?

19 A. To be honest, I can't think of a part of
20 the Company's service that doesn't have some sort
21 of measure of penalty associated with it. To the
22 extent that there are penalties or revenues in

1 place, I think that is true. I can give
2 an example.

3 Q. Let me ask you this. Is there greater
4 incentive to improve performance for one of the
5 existing benchmarks currently than one of internal
6 measures in which there is no penalty assessed?

7 A. I would think it would depend on the
8 internal measure.

9 Q. Would it be fair to say that the Company's
10 direction of resources and examination of
11 appropriate employee levels is more heightened on
12 service quality measures where there is a penalty
13 associated with not meeting that level?

14 A. Typically, for example, in the case of out
15 of services over 24, one of the merger requirement
16 penalties was a \$30 million penalty if you failed
17 to achieve 5 percent. Clearly, the Commission's
18 intent was to get the Company to hire enough
19 technicians so they would make that objective on an
20 ongoing basis. That is exactly what has happened.

21 Q. But the Company did not achieve that in
22 2000 though, correct?

1 A. They increased staffing significantly since
2 that time to ensure that it doesn't happen again.

3 Q. Can you guarantee, sitting here today, that
4 the Company will meet OOS greater than
5 24 hours in 2001?

6 A. I can guarantee you that the focus and the
7 attention of the Company is extremely on
8 out of service over 24 and they will do their
9 utmost to make sure it happens.

10 Q. You can't guarantee the Company will
11 achieve it by virtue of the assignment of a
12 \$30 million penalty?

13 A. I can't guarantee what the weather will be
14 or any other unforeseen events that might happen.

15 Q. Would it be fair to say, to the extent the
16 Commission did impose that additional
17 \$30 million penalty in the merger order, that the
18 Company's intention has been focused on that
19 measure more so than it had been prior to the
20 merger order?

21 A. It had always been focused on that measure.
22 Certainly, the focused has increased.

1 Q. At Page 34 of your rebuttal testimony, you
2 reference the pending service quality rulemaking
3 proceeding. You indicate that the impact of
4 service quality problems is not limited to
5 customers of companies with alternative regulation
6 plans. Do you see that?

7 A. Yes, I do.

8 Q. Yours is the only company within Illinois
9 that has an Alt Reg plan, correct?

10 A. To my knowledge, that is true.

11 Q. Just to clarify, at the risk of overkill,
12 Page 34, the bottom half of the page, you state,
13 "It should be noted the merger penalty has had the
14 desired affect." Would you agree that by imposing
15 that \$30 million penalty, that the desired affect
16 of the Commission was for the Company to achieve
17 that benchmark?

18 A. I think the ultimate goal of the Commission
19 when it imposed that \$30 million penalty was for
20 the Company to achieve it and to make sure they had
21 a forces in place to do so.

22 Q. With respect to your testimony at

1 Page 44 of your rebuttal, you discuss mean
2 installation interval. Are there personnel in the
3 Company who track the Company's performance for the
4 particular service quality measures throughout the
5 month? In other words, is there an ability to
6 recognize before the end of the month, for example,
7 if service on that measure is particularly bad,
8 that the benchmark will be missed?

9 A. For most measures, that is true. You can
10 do mid-month measures.

11 Q. Turning your attention to installation
12 repeats and repair repeats at Page 45.

13 A. Yes.

14 Q. You discuss your feeling that this should
15 be retained as an internal measure.

16 You also state this measure and its
17 associated targets are frequently revised in order
18 to address and prioritize the training needs of our
19 employees. What would trigger a revision in the
20 associated targets?

21 A. This is an example of one of the measures
22 that I mentioned that changes criteria as far as

1 how it's measured. Installation repeats are
2 referred to -- had historically been measured as
3 the total number of installations that resulted in
4 a repair call within seven days of completion of
5 that order. Because we wanted to focus on the
6 quality of the technicians who are doing an
7 installation, that measure was actually changed for
8 internal reporting purposes. We only measured
9 those orders that had a field technician visit
10 associated with it.

11 Q. Have any of the associated targets or
12 targets associated with the internal measures been
13 revised upward, meaning they were increased to be
14 stricter or to inspire greater performance?

15 A. The measure becoming tougher is what you're
16 asking?

17 Q. Yes.

18 A. The internal objective of repair repeats
19 have, until a few years ago, been at 12 percent.
20 It's now at 10. Installation repeats had, at one
21 time, been 7 percent. They moved down to 5. There
22 may have been others. Those are two that come to

1 mind immediately.

2 Q. So is it fair to say that those reductions
3 were made to heighten greater or more superior
4 performance on those measures?

5 A. Yes.

6 MS. LUSSON: If I could just have a moment.

7 Thank you, Mr. Hudzik.

8 JUDGE CASEY: Mr. Heaton.

9 CROSS EXAMINATION

10 BY

11 MR. HEATON:

12 Q. Good afternoon.

13 In your surrebuttal testimony, Exhibit
14 12.1 marked proprietary, Page 12.

15 A. Okay.

16 Q. I don't believe that I'm going to get into
17 anything that is actually proprietary.

18 On Page 12, you claim that the loss of
19 much of Ameritech's work force had an impact on
20 Ameritech's service quality performance, correct?

21 A. Correct.

22 Q. And by impact, you mean it had a negative

1 or adverse impact, correct?

2 A. Correct.

3 Q. In your rebuttal, Ameritech

4 Exhibit 12.0, Page 7, you claim that the loss in

5 work force is due in part to unanticipated

6 retirements; is that correct?

7 A. That's correct.

8 Q. And isn't it true that Ameritech has made

9 the same assertion to the Commissioners last fall

10 in an Open Hearing called by the Commissioners to

11 address Ameritech's service quality problems?

12 A. Yes, the assertion being personnel

13 reductions.

14 Q. Yes.

15 A. Yes, that is true.

16 Q. And one example of how service quality has

17 been adversely impacted is Ameritech's failure to

18 meet the out of service more than 24 hour standard,

19 correct?

20 A. That is true.

21 Q. In fact, throughout the Alt Reg period,

22 except for the year 1999, Ameritech failed to meet

1 that standard, correct?

2 A. That is correct.

3 Q. The Alt Reg period began October 11th,
4 1994, the date of the order, correct?

5 A. I believe that is correct.

6 Q. In the Alt Reg order, it required that the
7 plan was to continue for 5 years, correct?

8 A. Correct.

9 Q. So during the 5-year period beginning
10 October 11th, 1994, the period of the Alt Reg plan,
11 Ameritech has failed to meet the standard every
12 year except 1999, correct?

13 A. Correct, they did meet it in '99.

14 Q. Isn't it true, 1999 was the year the SBC
15 merger was pending, correct?

16 A. '98, '99.

17 Q. 1999 being one of the years that -- the
18 only year Ameritech met the service quality
19 standard, correct?

20 A. That is true.

21 Q. And the merger was ultimately approved in
22 1999, correct?

1 A. That is correct.

2 Q. Now, referencing, again, your rebuttal
3 testimony at Page 7, Ameritech Exhibit 12.0, one of
4 the primary factors you claim has caused
5 installation and repair problems is that
6 unanticipated retirements of network personnel led
7 to a reduction in head count by January of 2000,
8 correct?

9 A. That is correct.

10 Q. Would you agree that there are other
11 factors that could have resulted in Ameritech's
12 service quality problems as well?

13 A. Certainly weather always impacts service
14 quality, but the overriding cause of the service
15 problems, in my opinion, was the head count
16 reduction.

17 Q. But you do agree that there could have been
18 other factors that caused the problems, correct?

19 A. As I mentioned, weather certainly is a
20 player.

21 Q. But you're not restricting that possibility
22 just to weather and to reduction in head count, are

1 you?

2 A. I would point to those two as the primary
3 and with personnel being, by far, the biggest
4 impact.

5 Q. My question is, there could be others? We
6 know what you think the main problems are, but
7 there could be others?

8 A. In the realm of possibility, there could be
9 others.

10 Q. Wouldn't you agree that the price cap
11 regulation itself may provide incentives that
12 result in an adverse impact of quality
13 phone service?

14 A. I would not agree.

15 Q. You would not.

16 Would you agree that price cap
17 regulation could provide an incentive for Ameritech
18 to reduce expenditure in certain areas while
19 seeking to maximize its income?

20 A. No, I would it would provide an incentive
21 for Ameritech to become as efficient as possible
22 but not at the expense of service.

1 Q. Profit don't come into play then?

2 A. Clearly, at corporate levels, profits are
3 always important. I'm speak as a network
4 representative dealing with the service quality
5 issues on a day-to-day basis. The corporate
6 profit, bottomline, is not my or was not my
7 overriding concern.

8 Q. It was service quality?

9 A. Yes.

10 Q. You are aware that Mr. Gephardt has stated
11 that Ameritech intentionally failed to hire
12 sufficient -- strike that.

13 I will withdraw that question.

14 Would you agree that the Commission,
15 when they issued the Alt Reg order, recognized the
16 potential negative affects on service quality of
17 the Alt Reg Plan?

18 A. I believe that is the basis for instituting
19 the service quality measures.

20 Q. Wouldn't you agree that the Commission
21 further recognized that this was especially true
22 for residential services?

1 A. I'm not that knowledgeable about the
2 original order.

3 Q. Is another example of a factor that could
4 result in Ameritech Illinois' service quality
5 problems be the pressure to reduce costs after the
6 SBC/Ameritech merger closed?

7 A. I saw no evidence of that whatsoever.

8 Q. Again, the question, couldn't that have
9 been a factor?

10 A. In theoretical terms, hypothetical terms,
11 yes. In my knowledge, no.

12 Q. Isn't it true that pressure to reduce costs
13 after the merger could have resulted in reduction
14 in the number of employees throughout the Ameritech
15 network organization?

16 A. Again, hypothetically, yes, but not to my
17 experience.

18 Q. In your experience, is it common that there
19 is pressure to reduce costs after closing of a
20 merger?

21 A. This is the first merger I have been
22 involved in. I couldn't comment.

1 (Whereupon, there was a change
2 of reporters.)

3 Q. Well, didn't a reduction in the number of
4 employees in Ameritech's network organization
5 actually occur after the merger closed?

6 A. I think the reduction in employees was --
7 the decline from earlier in 1999 continued after
8 the merger really -- and, again, the effects of
9 that were more having to do with retention effects
10 that were taking place at the end of 1999.

11 Q. I understand what you believe the causes
12 are, but the question I'm asking is: Didn't a
13 reduction in the number of employees in Ameritech's
14 network organization occur after the merger closed,
15 yes or no?

16 A. I believe that's true.

17 Q. Reduction in Ameritech's network personnel
18 was due in part to retirements, correct?

19 A. A large part.

20 Q. And in part to resignations, right?

21 A. To a lesser extent.

22 Q. And in part to maybe even a lesser extent

1 was terminations as well?

2 A. As is the case in many situations.

3 Q. Now, as you stated, a substantial number of
4 those that left were due to retirements, right?

5 A. Correct.

6 Q. That's true after May 10th, 1998 -- I'm
7 sorry. That's true for those that retired after
8 May 10th, 1998, correct?

9 A. I think that it was true up until the end
10 of 1999.

11 MR. HEATON: Can I have one moment.

12 JUDGE CASEY: Sure.

13 We're off the record.

14 (Discussion off the record.)

15 JUDGE CASEY: We're back on the record.

16 MR. HEATON: Q Now, going back to -- I'm going
17 to back up a minute.

18 A substantial number of those that left
19 Ameritech Illinois after May 10th, 1998, retired,
20 correct.

21 A. Yes.

22 Q. Mr. Hudzik -- may I approach, your Honor?

1 And I'm not sure where we are at as far as exhibit
2 numbers. I think we're at --

3 JUDGE MORAN: We're on 38. You are marking
4 something?

5 MR. HEATON: Yes. I am marking this document
6 Hudzik Cross Exhibit 38.

7 JUDGE MORAN: And that's Cook County?

8 MR. HEATON: Let's call it SAO Hudzik Cross
9 Exhibit 38.

10 (Whereupon, SAO Hudzik Cross
11 Exhibit No. 38 was
12 marked for identification.)

13 JUDGE CASEY: We're off the record a second.

14 (Discussion off the record.)

15 JUDGE CASEY: We're back on the record.

16 MR. HEATON: I've handed the court reporter and
17 counsel a copy of a document, one page of which
18 I've labeled SAO Hudzik Cross No. 38. And that --
19 I'm going to refer those of you who have copies of
20 several documents, one of which is this exhibit,
21 I'm going to refer you to data request response No.
22 241.

1 Q. Mr. Hudzik, have you seen this document
2 before?

3 A. No, I have not.

4 Q. You have not.

5 Can you tell what this document is?

6 A. In general terms I can, yes.

7 Q. And would you agree that this is a copy of
8 a response propounded by Ameritech in response to a
9 data request by Cook County State's Attorney's
10 office?

11 A. Yes, I would.

12 JUDGE MORAN: That's what it appears to be,
13 right?

14 THE WITNESS: Correct.

15 MR. HEATON: I don't think counsel is going to
16 be objecting on authenticity --

17 MR. KERBER: No. This is the response to this
18 question.

19 MR. HEATON: Q Can I direct your attention to
20 the table at the bottom. Below the table it says
21 "total 364."

22 That represents the number of employees

1 who retired since May 10th, 1998, correct.

2 A. Correct.

3 Q. And if you look in the tables, can you
4 count five rows down, it says "enhanced pension"
5 and "retirement dash vol 56"?

6 A. Yes, I see it.

7 Q. That means that 56 of those 364 employees
8 who retired in 1998 did so pursuant to an enhanced
9 pension and retirement plan; is that correct?

10 MR. KERBER: I'm going to object. You may have
11 just misread it. Just for clarity, the data go
12 through, as it states, 1/31/2001. This would be
13 from May 10th, '98, up through January 31st of
14 2001. It's not specific to the year 1998.

15 MR. HEATON: Q Okay. Let me direct your
16 attention to the second to the last sentence under
17 the response. It says, Without waiving that
18 objection, the following are the numbers of network
19 services management employees working in Illinois
20 that have retired since May 10th, 1998, and then it
21 says in parentheses, Data as of 1/31/2001, correct.

22 A. Correct. I would --

1 Q. Are you sure that doesn't mean -- is it
2 possible this is a typo and it's not 2000,
3 1/31/2000?

4 MR. KERBER: No, because when you asked for the
5 -- when you asked for the data since May 10th of
6 '98, we took that to be, you know, up to as current
7 as you have, and that was the most current number
8 we had when the answer went out. So we took it all
9 the way up to, you know, whatever we had available
10 when it went out.

11 MR. HEATON: Q Okay. Anyway, since May 10th,
12 1998 -- and that's the date of the agreement plan
13 and merger between SBC and Ameritech -- 364 people
14 have retired; is that correct.

15 A. Correct.

16 Q. 56 of those people have retired pursuant to
17 an enhanced pension and retirement plan, correct?

18 A. Yes. They would have been at the very end
19 of the year 2000.

20 Q. Now, the enhanced protection retirement
21 program, are you familiar with that?

22 A. The enhanced retirement, yes, I am.

1 Q. That provides for an additional five years
2 of age and five years of service applied to all
3 calculations for eligible employees, correct?

4 A. To eligible employees, correct.

5 Q. And based on your understanding of EPR --
6 strike that last question.

7 Is it fair to characterize the enhanced
8 pension retirement plan as an early retirement
9 option?

10 A. In some cases but not all. It would depend
11 on the particular organization. Each organization
12 had different levels at which they would make
13 employees eligible for this program.

14 Q. But for the 56 employees referenced here,
15 would you characterize it as an early retirement
16 option?

17 A. No. In fact, for the 56 employees here,
18 because this is restricted to network services,
19 network services had very stringent eligibility
20 requirements, and those employees in general had to
21 have already over 30 years' service to even be
22 eligible for it. So they would have been

1 retirement eligible even without this program.

2 This simply enhanced their pension more than it
3 would have been otherwise.

4 Q. Okay. The employees who were already going
5 to retire were already at retirement age?

6 A. Right.

7 Q. The EPR could be characterized to those
8 employees as an early retirement option, correct?

9 A. Sure. If I'm a network manager and I have
10 32 years' service and I was planning on working for
11 a couple more years, this would certainly be an
12 inducement to get me to retire.

13 Q. Mr. Hudzik, I'm going to refer you to
14 Ameritech Illinois' response to Chairman Mathias'
15 data request that Ameritech submitted to the
16 chairman on September 28, 2000. This is found in
17 GCI Exhibit 2.2. That's a very thick document, and
18 so I didn't bring --

19 A. What was the question in that data request?

20 Q. The data request I was just talking to you
21 about?

22 A. Yeah, the specific question within the

1 Mathias data request.

2 Q. I haven't gotten to that yet.

3 This is Charlotte TerKuerst's -- it's

4 GCI Exhibit 202 TerKuerst, but the Mathias data

5 request is at the end.

6 JUDGE MORAN: 2.2 is her direct?

7 MR. HEATON: Yes, it was direct testimony of

8 Charlotte TerKuerst.

9 JUDGE CASEY: Are you there?

10 THE WITNESS: I have that data request.

11 JUDGE CASEY: Question?

12 MR. HEATON: Q Have you found the document

13 within --

14 A. I have that document.

15 Q. Do you recognize this document?

16 A. Yes, I do.

17 Q. And did you prepare or supervise the

18 preparation of some of Ameritech's responses in

19 this document?

20 A. Some of the responses, yes.

21 Q. Have you had an opportunity to review the

22 document in preparation for cross-examination?

1 A. Yes, I have.

2 Q. As it appears in Miss TerKuerst's
3 testimony, does it appear to be substantially the
4 same condition as it appeared when you first saw
5 it?

6 A. Yes, it does.

7 Q. And this document was prepared in response
8 to Chairman Mathias' data request to Ameritech,
9 correct?

10 A. Correct.

11 Q. Now, generally in this response in this
12 document, Ameritech describes some of the service
13 quality problems that it experienced in recent
14 years, correct?

15 A. That's true.

16 Q. It also describes some head count changes
17 in Ameritech's network organization, correct?

18 A. Correct.

19 JUDGE MORAN: You know, Mr. Heaton, I'm just
20 thinking that is not testimony -- I mean, that's
21 not evidence in this case yet. Miss TerKuerst has
22 not testified yet, so that has not been admitted

1 into the record. So you may have to have that
2 marked as an exhibit, as a cross exhibit.

3 You've laid the foundation well, but the
4 problem is you can't rely on the fact that it's
5 evidence. It would have been if Miss TerKuerst had
6 already testified.

7 MR. KERBER: Actually, if I could just add, it
8 is attached to Miss TerKuerst's testimony as
9 foundation material for the opinions and
10 conclusions that she draws out, so even in that
11 context -- I mean, it's there to the -- it is
12 evidence -- if you assume that her testimony
13 already been admitted, it still is --

14 JUDGE MORAN: We don't know if that will be part
15 of what's admitted --

16 MR. KERBER: Right. But even if it were, it
17 would be supporting material, not necessarily
18 evidence in its own right. So just if there are
19 parts of this that are going to be exhibits, I
20 would just also ask that they be marked --

21 JUDGE MORAN: -- you can't have --

22 MR. KERBER: Well, unless there's just stuff in

1 here that he intends to ask Mr. Hudzik about
2 without putting the documents in. I mean, if --

3 JUDGE MORAN: In that case you need more
4 foundation because then you're not going to have a
5 document that's part of the record. So you need
6 more -- much more work.

7 MR. HEATON: For right now then, I will mark it
8 as Cook County SAO Hudzik Cross Exhibit No. 39.

9 MR. KERBER: I don't want to be difficult, but
10 could we do it sort of piece by piece as it comes
11 in? Because this is about an inch and a half thick
12 document or thereabouts which discusses different
13 things, and there's every likelihood that he'll ask
14 questions about some part but not others. I mean,
15 they are -- it's broken up into individual
16 questions and individual responses each on various
17 different subjects.

18 MR. HEATON: Actually, it was submitted to the
19 Commission by Ameritech in one document. They
20 split up -- they reprinted the data request of the
21 commissioner and then had the answer to each part
22 of that data request underneath it, but they

1 submitted it as one document.

2 MR. KERBER: My concern is if he's going to
3 cross Mr. Hudzik on it that -- you know, I'm sure
4 there are lots of relevant questions that can be
5 asked about the stuff that is in here, but, again,
6 it's a very large document and if he's asked
7 specific questions about, let's say, a paragraph on
8 the third page, that doesn't have very much to say
9 about the relevance or anything else about the
10 admissibility of the last paragraph on the 78th
11 page.

12 JUDGE MORAN: Okay.

13 MR. KERBER: Because I just want to guard myself
14 against having a large volume of material come in
15 without any foundation or cross questions that are
16 specific to the subject matter of the material.

17 JUDGE MORAN: Right.

18 Do you have foundation questions on
19 which you're putting to Mr. Hudzik?

20 MR. HEATON: Yeah. I think I've already begun,
21 but why don't I just proceed, ask the questions,
22 mark the exhibit.

1 JUDGE MORAN: We're marking it for
2 identification as 39, is that it? Okay. Do you
3 have a copy of that available for Mr. Hudzik?
4 (Whereupon, SAO Hudzik Cross
5 Exhibit No. 39 was
6 marked for identification.)
7 MR. HEATON: Mr. Hudzik has a copy. Do the
8 hearing examiners have copies?
9 JUDGE MORAN: I don't. It's in our room.
10 JUDGE CASEY: Just ask your questions,
11 Mr. Heaton.
12 MR. HEATON: Q Particularly, part of this
13 response described the reductions in head count
14 during the same -- during the alternative
15 regulation period, correct.
16 A. Yes, I believe that's included.
17 Q. Now, referring you to Ameritech's response
18 under the general heading, Counter intuitive
19 reduction in field personnel, and unfortunately
20 this isn't -- there are no page numbers to this
21 document so if you look on the same page as
22 footnote 1 --

1 A. Okay.

2 Q. -- it's following --

3 JUDGE CASEY: What's the question? Just pose
4 the question.

5 MR. HEATON: Q Now, in the first full paragraph
6 the response states: No network management
7 positions were eliminated in 1999 as a result of
8 the change in control, i.e., the merger.

9 MR. KERBER: Hold on. I thought I had it, but I
10 didn't.

11 MR. HEATON: The question that this was in
12 response to starts on the same page as footnote 1,
13 and then the specific language I'm --

14 MR. KERBER: Oh, in the --

15 MR. HEATON: The specific language I'm referring
16 to starts on the same page as footnote 2 just up
17 above -- this is after the subheading,
18 Nonmanagement employees.

19 JUDGE CASEY: Does this data request response
20 contain information which is contrary to what
21 Mr. Hudzik has already testified to?

22 MR. HEATON: That's something that I couldn't

1 answer unless I'm allowed to question Mr. Hudzik.

2 JUDGE CASEY: No, that's not the case. Ask him
3 a question. If the answer to the question is
4 different from what's in their data response, then
5 you can use that document to impeach.

6 JUDGE MORAN: You don't use the witness to put
7 in stuff that you wanted to put in on your direct.

8 MR. HEATON: Well, to the extent that
9 Mr. Hudzik's testimony and this data request
10 provide -- make admissions providing -- and provide
11 certain data yet omit other data that should be
12 included to get a full idea of what the facts --
13 the true facts are, yes, it could be construed to
14 be contrary to testimony.

15 JUDGE CASEY: I'm trying to find out then what
16 he omitted in his testimony, because isn't that
17 what we should ask him first?

18 JUDGE MORAN: Yes.

19 MR. HEATON: Q In your testimony -- okay.

20 In data request 241, your response, it
21 indicates that six network managers retired
22 pursuant to the company's change in control plan,

1 correct, and that would be by referencing the
2 asterisked lines in the table, correct.

3 A. Correct.

4 Q. In the chairman's response, it says -- or
5 in your -- in Ameritech's response to the chairman,
6 it says: No network management positions were
7 eliminated in 1999 as a result of the change in
8 control.

9 Do you agree with that statement?

10 MR. KERBER: I'm sorry. Could I have the
11 question read back.

12 (Record read as requested.)

13 MR. KERBER: I'll just object because he misread
14 it. It's no network nonmanagement positions were
15 eliminated.

16 MR. HEATON: No, it isn't, and there is another
17 part --

18 MR. KERBER: Hold on. Maybe we're not looking
19 at the same thing. I don't want to -- but I'm
20 looking at the words I've got in front of me. Let
21 me show you what I'm looking at, and you tell me
22 what you're looking at.

1 MR. HEATON: Is that what you're looking at?

2 MR. KERBER: Now I've got it, yeah. I was just
3 on the wrong -- we're there.

4 MR. HEATON: Q I know it's difficult to follow
5 because it isn't paginated, but -- okay.

6 Do you agree with the statement in
7 Ameritech's response to the chairman that no
8 network management positions were eliminated in
9 1999 as a result of the change in control, i.e.,
10 the merger.

11 A. That no positions were eliminated in 1999,
12 I agree.

13 Q. And right underneath the next paragraph
14 down, last sentence, the decisions by some network
15 employees to retire in 1999 notwithstanding these
16 efforts were not within the control of either
17 Ameritech or SBC.

18 Do you agree with that statement?

19 A. Yes, I do.

20 Q. I just asked you some questions about
21 enhanced retirement plans.

22 A. Sure.

1 Q. Wouldn't you agree that to the extent
2 employees retire earlier than they would have
3 because they were offered an incentive by the
4 company the company does, in fact, exercise
5 control?

6 MR. KERBER: I'm going to object to the
7 question. It's assuming facts not in evidence.
8 Mr. Hudzik specifically testified that the EPR
9 retirements all would have been in late 2000, and
10 now Mr. Hudzik is referring back to a statement
11 that is specifically couched in terms of
12 retirements in 1999.

13 MR. HEATON: The data request refers to all of
14 those that retired since May 10th, 1999 -- 1998
15 through January 31st, 2001.

16 MR. KERBER: Right. You asked about the
17 EPR -- we can have that question and answer read
18 back if you want to go back, but I'm pretty sure
19 Mr. Hudzik said that all of the EPR retirements
20 were in late 2000.

21 MR. HEATON: It doesn't matter what -- I'm going
22 to repeat the question.

1 Q. The question I'm asking is not dependent on
2 the actual number of 56 people that retired in
3 2000. The question I asked simply was: Isn't it
4 true that to the extent a company offers enhanced
5 or early retirement options to its employees and
6 based on that offer the employee leaves the company
7 earlier than it would have, wouldn't that be
8 considered -- wouldn't you then consider that that
9 company does exercise some control over those
10 employees' decisions to retire?

11 MR. KERBER: Okay. Let me make sure I
12 understand --

13 JUDGE MORAN: It appears --

14 MR. KERBER: -- because we were on the statement
15 in the Mathias data request that was specific to
16 1999. So if we're off that now and you're just
17 asking in general if the EPR is something within
18 the control of the company, then I don't have a
19 problem with it.

20 JUDGE CASEY: Mr. Kerber, I think it was pretty
21 clear that it was a theoretical question.

22 MR. KERBER: I was just confused because we were

1 --

2 JUDGE CASEY: From a theoretical perspective,
3 Mr. Hudzik.

4 THE WITNESS: From a theoretical perspective
5 that's true, but to clarify --

6 JUDGE CASEY: No need to clarify. It's true in
7 theory.

8 MR. HEATON: At this point I'd like to move to
9 admit Cook County SAO Hudzik Cross Exhibit 38.
10 That's the response -- Ameritech's response to data
11 request 241.

12 MR. KERBER: No objection to 38.

13 JUDGE CASEY: It's clear that 238 then -- excuse
14 me, that Cross Exhibit 38 then is limited to data
15 request 241 and its response.

16 MR. HEATON: Yes.

17 JUDGE CASEY: Mr. Heaton, the remaining data
18 requests that were attached to that group will be
19 deleted?

20 MR. HEATON: At this point they're not in
21 evidence. I just gave the court reporter a copy of
22 one single page.

1 JUDGE CASEY: It will be admitted.

2 (Whereupon, SAO Hudzik Cross
3 Exhibit No. 38 was
4 admitted into evidence.)

5 MR. HEATON: Q Mr. Hudzik, do you know if any
6 network management positions were eliminated as a
7 result of the change in control plan in 1998.

8 A. 1998, none that I'm aware of.

9 Q. How about the year 2000?

10 A. Again, not that I'm aware of.

11 Q. Didn't you state -- let me know if I'm not
12 understanding you correctly. Didn't you state
13 earlier that you thought that those -- the six
14 managers listed and identified by asterisks in the
15 table on SAO Hudzik Exhibit 38 retired in the
16 latter part of this period which would include year
17 2000, right?

18 A. That's correct. The only caveat I would
19 put on that -- and, again, I don't know all the
20 bases to this table -- but my assumption would be
21 that the second and third lines, there are three
22 and two counts respectively, CR slash CIC is

1 referring to corporate resource which would be
2 upper management of the corporation which has a
3 separate separation package.

4 Q. They had a separate separation package?

5 A. As a corporate resource, they had a
6 different separation package.

7 Q. They did leave pursuant to the change in
8 control plan, correct? And by change in control
9 plan you mean because of the merger their positions
10 were eliminated because they were duplicative,
11 correct?

12 A. As a corporate resource, they had the
13 option under the change in control situation to
14 leave regardless of whether their position was
15 eliminated or not.

16 Q. Would you consider an offer of early
17 retirement or an enhanced pension retirement
18 benefit package to be considered an incentive for
19 an employee to retire?

20 A. Yes, I would.

21 Q. Are you familiar with supplemental income
22 protection program offered by Ameritech?

1 A. For nonmanagement employees to a far lesser
2 degree, but in general.

3 Q. Wouldn't an offer of a supplemental income
4 protection program benefit package be considered an
5 incentive for an employee to leave the company?

6 A. I've never heard it used in those terms,
7 and, again, I'm not that knowledgeable about the
8 program to speak to that.

9 Q. Have you ever had a chance to review the
10 collective bargaining agreements that describe
11 this?

12 A. As a field manager, I use the collective
13 bargaining agreements all the time, and in the
14 context of having consolidated control centers at
15 one point, some of those which were eligible to
16 receive the SIP program, I'm aware of it. But as
17 far as the details of when it kicks in or what the
18 benefits are, I'm not aware of it.

19 Q. But you've reviewed it and you at -- you
20 may not remember right now, but you've reviewed
21 these contracts?

22 A. I know the basis of why it's there.

1 Q. If I showed you a copy of the collective
2 bargaining agreement, could that refresh your
3 recollection?

4 A. Again, it's not a part of the contract I
5 ever paid a lot of attention to, so I would be
6 reading it really for the first time. It's not a
7 matter of recollection.

8 Q. Isn't it true that the SIPPs were offered
9 specifically to network technicians such as
10 electrical workers and communications workers in
11 the period from 1998 through and 1999?

12 A. I couldn't say for sure.

13 Q. Would you preclude that possibility based
14 on your knowledge?

15 A. I wouldn't rule it out, but, again, I have
16 no knowledge directly of it.

17 Q. Right.

18 Now I'm marking a document as SAO Hudzik
19 Cross No. 40, and I'm going to give a copy to the
20 court reporter. And the hearing examiners and
21 counsel already has a copy of this. It's in the
22 same packet. And this document -- this is in

1 reference to No. 259, data request 259.

2 (Whereupon, SAO Hudzik Cross
3 Exhibit No. 40 was
4 marked for identification.)

5 MR. KERBER: Is this 40?

6 MR. HEATON: Yeah, I believe this is No. 40.
7 That's how I marked it.

8 Q. Have you ever seen this document before,
9 Mr. Hudzik?

10 A. Yes, I have.

11 Q. It's Ameritech's response to our data
12 request No. 259, correct?

13 A. Correct.

14 Q. Can you read the response, please, just the
15 first paragraph.

16 A. Sure. All employees were treated under the
17 terms of the respective collective bargaining
18 agreements when applicable. The terms of such
19 agreements could provide the employees referenced
20 above to additional compensation such as SIPP when
21 required.

22 Q. At the bottom of this page, it makes a

1 reference to the Ameritech and the IBEW slash CWA
2 agreements, correct?

3 A. Correct.

4 Q. Those are the unions?

5 A. Correct.

6 Q. Isn't it true that in 1998 or 1999 the
7 company did, in fact, provide employees referenced
8 in the data request additional compensation such as
9 SIPP?

10 A. Again, as I mentioned before, I don't have
11 any direct knowledge of that.

12 Q. Now, I'm going to mark a document as SAO
13 Hudzik Cross Exhibit 41. I am giving a copy of the
14 document to the court reporter, and I'm providing a
15 copy of another group of documents to the hearing
16 examiners. These documents -- and I'm giving one
17 to counsel.

18 (Whereupon, SAO Cross Hudzik
19 Exhibit No. 41 was
20 marked for identification.)

21 MR. HEATON: I'm going to ask the witness to
22 turn again to No. 259.

1 Now, at this point, I'm going to note
2 that this was a supplementary response to the same
3 data request that Ameritech provided on
4 February 14th, 2001, and I think counsel will
5 stipulate to that.

6 MR. KERBER: It is.

7 MR. HEATON: So this is an additional response
8 to the original question 259.

9 Q. Mr. Hudzik, could you please read the
10 response?

11 A. To the extent required by its collective
12 bargaining agreements, the company did offer
13 appropriate packages, bonus payments, and/or
14 incentive to employees who left the company during
15 these time frames.

16 MR. HEATON: At this time, I'd like to move to
17 admit into evidence SAO Hudzik Cross Exhibits 39
18 and 40.

19 MR. KERBER: I think it's 40 and 41 because we
20 had the --

21 MR. HEATON: I'm sorry, 40 and 41.

22 MR. KERBER: I'm going to object on the grounds

1 that this is not proper impeachment. It's not
2 contrary to anything that Mr. Hudzik has testified
3 to.

4 Essentially, these documents say that to
5 the extent that IBEW or CWA members were entitled
6 to benefits according to their collective
7 bargaining agreement, they got them, and Mr. Hudzik
8 has not testified anywhere that that wasn't the
9 case. I mean, he's never addressed in his
10 testimony whether somebody somehow wouldn't have
11 gotten something otherwise available to them under
12 their agreement.

13 MR. HEATON: In response, I'd first say that
14 this doesn't necessarily have to be admitted on the
15 basis of impeachment. It's a party admission.
16 It's relevant to the testimony that this witness
17 has provided as far as head count.

18 The witness has stated that one of the
19 main reasons that caused -- that there were service
20 problems was because an unforeseen reduction in the
21 Ameritech's work force. These last few documents
22 have shown that not just were they not unforeseen,

1 I mean, these are incentives that were offered to
2 employees. I mean, not only --

3 MR. KERBER: I'll tell you what. I object to
4 the characterization because I think what they show
5 is that there was some normal attrition pursuant to
6 the terms of the collective bargaining agreements,
7 but to the limited extent that normal attrition is
8 relevant, I don't have an objection.

9 JUDGE CASEY: The exhibits will be admitted.

10 (Whereupon, SAO Hudzik Cross
11 Exhibit Nos. 40 and 41 were
12 admitted into evidence.)

13 JUDGE MORAN: Do you have further cross,
14 Mr. Heaton?

15 MR. HEATON: Yes.

16 Q. Mr. Hudzik, I'm going ask you a couple more
17 questions about these SIPPs, and to the extent you
18 can't answer it, that's fine. I understand you're
19 not necessarily an expert on SIPPs.

20 Based on your knowledge of the company's
21 collective bargaining agreements, isn't it true
22 that the decision to offer SIPPs was strictly

1 within the company's discretion?

2 A. I believe that's true.

3 Q. Isn't it true that these benefits packages,
4 these early -- the EPRs and the SIPPs were offered
5 during the same time period that Ameritech was
6 undergoing service quality problems?

7 MR. KERBER: I'd object with respect to EPR,
8 again, based on Mr. Hudzik's earlier testimony that
9 those retirements all occurred very late in 2000.

10 MR. HEATON: Well, certainly the evidence shows
11 that there were service quality problems up to and
12 through 2000.

13 JUDGE MORAN: What is the question again?

14 MR. KERBER: Mr. Hudzik can answer the question.

15 JUDGE CASEY: My question, when you say service
16 problem, do you mean problems that fell below
17 benchmarks? Because there was an outage once.

18 MR. HEATON: Let me withdraw the question.

19 Q. Mr. Hudzik, isn't it true that the company
20 recognized that they were going to run into
21 problems meeting service quality objectives by fall
22 1999?

1 A. They knew by fall of 1999 that the
2 attrition was going to be higher than expected, and
3 they started the hiring efforts. I don't think
4 they expected the service qualities that followed
5 suit in 2000.

6 Q. I'm going to move on to a different area.

7 Isn't it true that prior to the closing
8 of the SBC Ameritech merger, SBC and Ameritech
9 admitted that to reduce costs beyond what could be
10 achieved by merger efficiencies Ameritech likely
11 would be pressured to significantly reduce the
12 number of employees throughout the organization?

13 A. Not that I'm aware of.

14 Q. Would you -- based on your knowledge, can
15 you testify that this statement was not made by
16 Ameritech?

17 A. Can I testify that it was not made?

18 Q. Do you know that this is contrary to your
19 understanding?

20 A. It is contrary to my understanding of the
21 expectations following the merger.

22 Q. Were you involved at all in ICC Docket

1 98-0555, which was the SBC Ameritech merger docket?

2 A. Not directly, no.

3 Q. Are you familiar with Mr. Harris?

4 A. No, I'm not.

5 Q. On Page 7 of your rebuttal testimony again,
6 on this page you describe the installation and
7 repair problems; is that correct?

8 A. That's correct.

9 Q. And you said around the middle of the page
10 that the problems were caused by a number of
11 factors?

12 A. Correct.

13 Q. And aside from the retirements we've just
14 been discussing, some of those other problems you
15 cite are a 5 percent increase in dispatched orders,
16 correct?

17 A. Correct.

18 Q. Now, dispatched orders require more work
19 time than plain old telephone service orders,
20 correct?

21 A. Dispatched orders would be a subset of
22 plain old telephone service orders. Dispatched

1 orders simply means that a technician was required
2 to make a field visit.

3 Q. All right. At the bottom of the Page 7 you
4 say: For example, DSL orders grew substantially
5 from 1999 to 2000?

6 A. Correct.

7 Q. Those orders -- couple lines further you
8 say: Those orders require far more work on average
9 than plain old telephone service orders, correct?

10 A. Correct.

11 Q. So are you saying that DSL is not something
12 that requires a dispatched order?

13 A. Typically it does require a dispatched
14 order. What I was showing was not only was the
15 volume of orders increasing but the complexity of
16 those orders that were going out was also
17 increasing which was requiring more time on the
18 technician's part.

19 Q. And wholesale orders increased during that
20 time, correct?

21 A. Correct.

22 Q. That is another factor that you have

1 testified caused some service problems?

2 A. Correct.

3 Q. Now, as far as dispatched orders, DSL,
4 increases in wholesale loop orders, you don't state
5 in your testimony that these things were
6 unanticipated, do you?

7 A. No. Clearly the growth in DSL and the
8 growth in wholesale would have been expected.

9 Q. In fact, much of the increased dispatch
10 orders were concurrent with SBC's launching of
11 Project Pronto, correct?

12 A. There would have been no connection.

13 Q. Did it not happen at the same time that SBC
14 was launching Project Pronto?

15 A. It happened about the same time they were
16 announcing it, but there was no field impact with
17 that announcement.

18 Q. Isn't it true that Project Pronto is
19 directed at providing increased advanced services
20 to Illinois?

21 A. That's part of --

22 Q. Such as DSL?

1 A. That's part of the purpose of Project
2 Pronto, but in the time frame we're talking about,
3 there were actually no advanced services being
4 deployed. It was still in the formation, the
5 building stage.

6 Q. You also discuss weather problems as part
7 of the reason why service quality wasn't up to par,
8 correct?

9 A. Correct.

10 Q. And you talk about weather storms in early
11 2000, correct?

12 A. Correct.

13 Q. Is there anywhere in your testimony where
14 you actually state that those specific weather
15 storms caused Ameritech Illinois to fail to meet
16 its out of service over 24 hours measure in a given
17 month?

18 A. I think what I was saying was that this was
19 just one more contributing factor to why the
20 backlog started to originate in the early summer.

21 Q. But you don't state anywhere in your
22 testimony that these specific storms that you cite

1 in early 2000 caused you -- caused Ameritech to
2 fail to meet the benchmarks, correct?

3 A. I point to it as one of the contributing
4 factors of many.

5 Q. Do you describe a particular storm on a
6 particular date that caused problems such that it
7 helped -- you were unable to meet the standard that
8 month?

9 A. I think what I point to is the May and June
10 heavy rains, and I point to the specific counties
11 that were declared natural disaster areas by the
12 governor as a result of those rains.

13 MR. HEATON: I may be just about finished. Can
14 I have just a couple minutes here?

15 JUDGE MORAN: Sure.

16 MR. HEATON: At this time I have no further
17 questions for Mr. Hudzik, but I would move to admit
18 the collective bargaining agreements that we
19 discussed as a party admission, not necessarily as
20 impeachment for Mr. Hudzik's testimony.

21 The collective bargaining agreements
22 that we've discussed, I have with me. They were

1 produced in response to a data request that was
2 admitted, and so I ask that I could move those into
3 evidence.

4 JUDGE CASEY: Mr. Kerber?

5 MR. KERBER: I object. There's no basis for
6 their admission as admission of a party. The
7 admission is a statement made against the party's
8 interest, that is to say, something that is against
9 the party's interest at the time made.

10 I don't know whether a contract is even
11 a statement, but since we agreed to it voluntarily,
12 at least as a general matter, I'd say it wasn't
13 against our interest. Obviously, we wanted to have
14 an agreement with our unions.

15 JUDGE CASEY: Mr. Heaton, how is it an
16 admission?

17 MR. HEATON: It's an admission by a party
18 opponent, your Honor.

19 JUDGE CASEY: I know that is how you're
20 characterizing it. How is it an admission?

21 MR. HEATON: Well, we discussed collective
22 bargaining agreements, we discussed SIPPs, admitted

1 Ameritech's response -- data request response
2 related to those issues.

3 The collective bargaining agreements
4 show, independent of the testimony Mr. Hudzik has
5 given, that the company actually provided early
6 retirement packages during the same period that
7 they claim they were trying to increase their work
8 force because they were trying to handle the
9 service quality problems.

10 I don't agree that it needs to be a
11 party admission made against one's interest at the
12 time of the making of the statement for it to be
13 admitted as a party admission. I don't know if
14 there's any legal basis to back that up, but that's
15 not my understanding of the rules of evidence.

16 JUDGE CASEY: How would you define an admission?

17 MR. HEATON: Admission is a statement that is
18 nonhearsay that is relevant that is made by a party
19 to the proceeding.

20 JUDGE CASEY: Okay. Your motion to have that
21 exhibit admitted is denied.

22 Mr. Nixon, do you have questions?

1 MR. NIXON: I do. I guess it depends on how
2 long you want to go.

3 JUDGE CASEY: You can start it up. You've got
4 17 minutes.

5 MR. NIXON: Go as far as we can until 6:30. I
6 think at this point I actually have more questions
7 than I came in with.

8 JUDGE CASEY: More?

9 MR. NIXON: Yeah.

10 MR. KERBER: Isn't there a rule against that?

11 MR. NIXON: It's been such an interesting
12 dialogue, I want to explore some of it a little
13 further.

14 CROSS EXAMINATION

15 BY

16 MR. NIXON:

17 Q. Good evening, Mr. Hudzik. I'm David Nixon,
18 counsel for the staff.

19 A. Good evening.

20 Q. Try and pick some short topics here so we
21 can get some done and out of the way.

22 You and Mr. Heaton were just talking

1 about some of your testimony concerning the effects
2 of the weather on the out of service greater than
3 24 hours performance by Ameritech in the year 2000.

4 In particular, you in your rebuttal
5 testimony -- I believe it's on Page 8 -- you
6 specifically mention six counties. You say they
7 were declared disaster areas?

8 MR. KERBER: Just for clarity, I think he says
9 10 of which six were in Ameritech territory.

10 MR. NIXON: Exactly.

11 Q. Just let me further clarify --

12 JUDGE MORAN: He says in his rebuttal testimony,
13 right?

14 MR. NIXON: Q -- two of the counties. In
15 particular Whiteside and Winnebago, Ameritech
16 doesn't -- has only limited exchanges in those
17 counties, one in Whiteside and two in Winnebago.

18 A. I don't know.

19 Q. It says these were declared disaster areas
20 because of flooding from rain; is that correct?

21 A. That's correct.

22 Q. Does the company have a code 431 for

1 flooding as an act of God code?

2 A. Yes, it does.

3 Q. These were not designated as 431?

4 A. The problem with the weather codes in
5 general is even though they are frequently
6 authorized by management, because it really depends
7 on the technician to code it that way, more times
8 than not the use of the weather codes is
9 drastically understated. That's what happened in
10 these periods as well.

11 Q. Let me just try to explain this further
12 because I believe you're referring specifically in
13 and out of your testimony.

14 It's your testimony generally that these
15 exclusions are extreme or out of the norm weather
16 conditions?

17 A. Correct.

18 Q. Would you consider what happened in these
19 counties as out of the norm weather conditions?

20 A. Yes, I would.

21 Q. But they were still included in out of
22 service statistics?

1 A. I'm sure during those months there were 431
2 exclusion codes utilized. Whether they were
3 utilized to the extent that they probably should
4 have been is doubtful.

5 Q. But it is possible that some of the reports
6 for out of service in these particular six counties
7 may not have been counted whether or not Ameritech
8 met the standard?

9 A. I'm sorry, could you repeat the question.

10 Q. Is it possible that some of the outages in
11 these six counties served by Ameritech that you
12 referred to for this flooding that those outages
13 were not reported towards whether or not Ameritech
14 made the benchmark for out of service greater than
15 24 hours?

16 A. To the extent that the 431 code was used on
17 those cases, that's true.

18 Q. As you sit here, you don't know what that
19 number would be?

20 A. No, I don't.

21 Q. Switching gears, the cell phone service
22 option?

1 A. Yes.

2 Q. Let me explore a little bit about the
3 reasons behind the company's decision to offer a
4 cell phone loaner option for extended out of
5 service repair delays but not for delayed
6 installation.

7 A. Okay.

8 Q. The main, indeed, I believe the only
9 analogy you provide there is a card dealer and a
10 new car analogy; is that correct?

11 A. Correct.

12 Q. And I believe it's your example that the
13 car dealer would provide a loaner car in repair --
14 extended repair circumstances but not typically
15 when a customer has bought a car?

16 A. That was the analogy, correct.

17 Q. To the extent that you're aware, are car
18 dealers under any regulatory obligation to deliver
19 within 24 hours?

20 A. No, I'm not.

21 Q. Or five days?

22 A. I'm not aware of it.

1 Q. If a car dealer made a specific promise to
2 deliver within a particular amount of time, would
3 you think that from the customer perspective he
4 should deserve compensation?

5 A. Are you talking about a delivery of a new
6 car?

7 Q. Yes.

8 A. I'm sure from the customer's perspective
9 I'm sure he feels entitled to it. I would be very
10 doubtful that actually happened.

11 Q. You are familiar with Mr. O'Brien's
12 testimony?

13 A. Yes, I am.

14 Q. Are you familiar with his two examples, one
15 involving a restaurant and one involving Federal
16 Express where both companies have disappointed
17 their patrons?

18 A. This is in regard to credits being given?

19 Q. Yes.

20 A. Okay.

21 Q. In both of those instances, it is his
22 testimony that he would expect that the two

1 companies involved would provide compensation for
2 their failure to meet their promises?

3 A. Correct.

4 Q. What is it that's so different in your
5 analogy about a car that you believe that if
6 there's a specific promise made that no
7 compensation would be due?

8 A. I think the difference is there are two
9 different analogies. The car analogy was being
10 related to installation and repair durations. The
11 analogies that Mr. O'Brien used was a more of
12 missed appointment analogy. I don't think they're
13 comparable.

14 Q. You don't think it's comparable if I'm the
15 car dealer and I make you a specific promise that
16 you can come pick up your car in 24 hours and I
17 renege on that promise, you don't think that's
18 comparable?

19 A. Again, I'd have to review. Can I review
20 Mr. O'Brien's analogies first before I respond?
21 Okay.

22 JUDGE CASEY: Off the record

1 (Discussion off the record.)

2 JUDGE CASEY: We're going to go back on the
3 record.

4 THE WITNESS: The company's basic difference
5 between the two is in the case of a customer that
6 already has service, that customer has come to rely
7 on the use of that service; and when that service
8 is interrupted for some reason, especially for a
9 long period of time, the company should be
10 obligated to make some kind of compensation for
11 that.

12 It's different, I think, from an
13 installation case where typically customers are
14 planning well in advance for the installation of
15 new lines. They have time to make alternate
16 service arrangements which they typically don't
17 have in the case of a repair. Certainly for an
18 extended installation interval beyond five days,
19 the customer has opportunity to make other
20 arrangements.

21 MR. NIXON: Q What if it's the situation where
22 installation is promised and everybody thinks it's

1 going to be done but there's, let's say, an
2 unexpected technician shortage and the company has
3 to call and say, No, we can't install for 30 days
4 now.

5 A. I think those instances are very few and
6 far between. And, again, even in those situations,
7 I think the customer has the opportunity to make
8 other arrangements.

9 Q. But wouldn't the customer -- I mean, the
10 arrangements that customer could make or the
11 expecting customer could make would be the same or
12 mirror the ones that you would expect the current
13 customer to make, would they not, if the current
14 customer didn't have the cell phone option from the
15 company?

16 A. Typically on new installs, it could be an
17 additional line being added, it could be a customer
18 moving from one location to another. And, again,
19 those typically are done fairly well in advance.

20 Q. I don't think that's responsive to the
21 question. Let me try it again.

22 If I'm a new customer and there's been a

1 glitch in my installation, you're saying that I
2 essentially have the resources to go out and make
3 my own remedy, but I have no more choices than your
4 current customer does?

5 A. The current customer is also paying for
6 that service as well.

7 Q. But you will be expecting me to pay for
8 your service once you hook me up, won't you?

9 A. Once you're hooked up, yes, but you're not
10 paying for that service during that period you're
11 waiting.

12 Q. Are you concerned that someone would take
13 the free cell phone service and then cancel their
14 order?

15 A. No, that was never a consideration.

16 Q. If I'm eligible for the cell phone option
17 and I request it, how long does it take for me to
18 get the phone?

19 A. Using Ohio and Indiana as an example, if
20 you call in that morning and you're given a long
21 duration out of service, you'd have that phone by
22 6:00 o'clock that evening. If you call that

1 afternoon, it's the first thing the following
2 morning.

3 Q. How is that arranged and accomplished?

4 A. It's couriered out to the house or UPS'd
5 out to the house.

6 Q. If a customer instead opts for the
7 alternative \$20 credit, I believe it is, but the
8 out of service time becomes more extended than both
9 the customer and company believed, would there be
10 any extra compensation?

11 A. If the expected restoral time was, say,
12 next day and that's -- and no cell phone was
13 offered and that restoral actually turned out to be
14 three days or more, that customer would
15 automatically get the \$20 credit.

16 Q. I understand that part, but I'm asking if I
17 know it's expected to be greater than 72 hours
18 already, I have the choice of either the cell phone
19 or the \$20 credit; is that correct?

20 A. Correct.

21 Q. If at first I choose the \$20 credit
22 believing that it may be like the fifth day that it

1 will be my service restored but, in fact, something
2 happens and the service won't be restored for
3 another five or 10 days after that, do I now have
4 the choice to either go back and take the cell
5 phone, or do I get additional compensation above
6 the \$20?

7 A. My understanding is that if the actual
8 restorals take significantly longer than what was
9 expected, you do have the option of going back and
10 requesting the cell phone.

11 JUDGE CASEY: Thank you very much.

12 MR. NIXON: One question.

13 Q. Would the \$20 credit then be taken away?

14 A. The credit would still apply.

15 JUDGE CASEY: 9:30 tomorrow morning.

16 (Whereupon, the above
17 proceedings were continued to
18 2/22/01 at 9:30 a.m.)

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